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Research Report on America's Cities

POVERTY
IN
CITIES

A Research Report of the National League of Cities

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POVERTY IN CITIES

by

Mark Alan Hughes

February 1989

A Research Report of the National League of Cities

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PREFACE

The National League of Cities is pleased to present *Poverty in Cities* to city officials, state municipal leagues, and others concerned about poverty in America.

The views expressed in the report are Dr. Hughes', not necessarily NLC's. The report treats a significant topic in thoughtful, useful, and provocative ways. We hope it will promote better understanding and increased discussion of the problems of persistent, concentrated, and isolated poverty in America's cities.

The author, Dr. Mark Alan Hughes, is on leave from his post as Assistant Professor at Princeton University's Woodrow Wilson School for the 1988-89 academic year.

During this year, Dr. Hughes holds the Lincoln Government Fellowship, a research position at NLC that is cosponsored by NLC and the Lincoln Institute of Land Policy in Cambridge, Massachusetts.

William R. Barnes
Research Director
National League of Cities

INTRODUCTION

Poverty in cities is changing in quality and intensity. It is more persistent among particular households, more concentrated within particular neighborhoods, and more isolated from traditional avenues of escape.

This report extends the findings of a 1987 research report from the National League of Cities.[1] That earlier report demonstrated the increasing magnitude and changing incidence of poverty in the United States. The paragraphs that follow summarize those national findings before turning to the more specifically urban focus of this report.

The *magnitude* of poverty refers to the amount of poverty at a given time. The poverty rate is commonly used to compare magnitudes from different times. A resurgence of poverty occurred between 1979 and 1983. The poverty rate drifted downward throughout most of the 1970s and stood at 11.7 percent in the last year of that decade. By 1983, however, the poverty rate had risen to 15.2 percent.

The rate has decreased since 1983, but the 1980s remain a more poverty stricken decade than the 1970s. For the years 1970 through 1979, the average poverty rate was 11.8 percent. The average rate for the years 1980 through 1987 was 14.1 percent, an increase of 19.4 percent.

The *incidence* of poverty refers to the shares of total poverty as they are distributed across specific groups or places. *The incidence of poverty has changed by region, by residence, and by age group.*

All regions of the country experienced an increase in their poverty rate between 1979 and 1985. The North Central region underwent the largest increase, from 9.7 percent to 13.9 percent (a percentage increase of 43 percent). As a result of larger percentage increases, the North Central and West regions increased their share of the nation's poor between 1979 and 1985.

The majority of the nation's poor reside in metropolitan areas, and the metropolitan share increased substantially between 1979 and 1985. Sixty-two percent of the poor lived in metropolitan areas in 1979, and that metropolitan share increased to 70 percent in 1985. The metropolitan poor increased by 7,645,000 persons between 1979 and 1985. In central city areas, 5,739,000 persons entered the poverty population. In suburban areas, 1,906,000 persons were added to the poverty population.

Poverty among children has increased substantially. In 1979, 16.1 percent of related children under 18 years of age lived in a poor household; in 1985, the figure was 20.5 percent. This represents a startling increase of 27.3 percent in the youth share of poverty over this six-year period.

This report provides an overview of recent research that seeks to understand these complex numbers. In particular, it focuses on one of the more difficult components: inner-city poverty in our larger metropolitan areas. The nation has become increasingly aware of troubling issues such as homelessness, gang violence, and crack houses. These diverse images of the inner city have helped return poverty to the national agenda.

How we build these fragmentary images into a better understanding of contemporary urban poverty is crucial. How we think about problems helps determine what we propose as solutions. Different understandings of poverty in large cities lead to very different strategies for confronting it.

This report discusses three dimensions of poverty in cities: persistence, concentration, and isolation; three explanations of poverty in cities: mismatch, culture, and decentralization; and finally three policy strategies aimed at poverty: dispersal, development, and mobility.

DIMENSIONS OF POVERTY IN LARGE CITIES

Poverty is complex, and scholars have long sought ways to manage this complexity by identifying the crucial dimensions of poverty. This section considers three such dimensions: persistence, concentration, and isolation. Persistence refers to time, while concentration and isolation refer to space. All three dimensions are important but each highlights a distinct dimension of poverty in cities.

Persistence

The first dimension of poverty in cities is "persistence," which refers to the length of time that a person remains poor. Persistence of poverty is important because one long spell of poverty is probably more damaging than several short spells, and because changes in the levels of persistent poverty inform us about the chances of escaping poverty.

A recent study by Adams, Duncan and Rodgers gives us a picture of persistent urban poverty and how it has changed since the 1960s.[2] They estimate the changes in persistent poverty from 1969 through 1983. The authors measure persistence using the proportion of the urban poor in a given year who escaped poverty by the following year. For each year, they calculate this "escape probability".

In the late 1960s, the escape probability of the urban poor was about 32 out of 100. The escape probability steadily increased through the mid-1970s to about 37 out of 100 (meaning that poverty became less persistent during this period). But from the mid-1970s through the early 1980s, the escape probability steadily decreased 14 points to about 23 out of 100.

Thus, poverty has become more persistent since the mid-1970s, and there has been a substantial decrease in the chances that a poor person will escape poverty within the following year.

In addition to other interesting results, Adams, Duncan and Rodgers estimate the number of persistently poor persons by race during the ten-year period from 1974 through 1983.

TABLE 1
Persistence of Poverty

Highly Urban Population*	Never Poor 1974-1983 (%)	Ever Poor 1974-1983 (%)	Persistently Poor** 1974-1983 (%)
Black Persons	40.0	60.0	21.1
Nonblack Persons	72.1	27.9	2.7

* Central counties of metro areas with one million or more population
** Persons who were poor at least 80 percent of the time, 1974-1983

SOURCE: Adapted from Adams, Duncan and Rodgers

As Table 1 shows, three of five black persons in highly urban areas were poor at least once during the ten-year period, and black persons were twice as likely as nonblack persons to be poor at least once during the ten-year period (60.0 percent versus 27.9 percent).

Furthermore, one in five black persons in highly urban areas were persistently poor throughout the ten-year period, and black persons were almost eight times more likely than nonblack persons to be persistently poor (21.1 percent versus 2.7 percent).

Concentration

A second dimension of poverty in cities is "concentration," which refers to poor persons living in poor neighborhoods. Concentration of poverty is important because poor persons living in poor neighborhoods might be less able to escape from poverty than poor persons living in more diverse neighborhoods.

A recent study by Bane and Jargowsky examines the changes in concentrated poverty between 1970 and 1980 in the fifty largest cities.[3] They define concentrated poverty as the proportion of poor persons living in extremely poor neighborhoods. The authors define extremely poor neighborhoods as census tracts in which at least 40 percent of the residents are below the poverty line.

Bane and Jargowsky report the proportion of poor persons living in extremely poor neighborhoods in 1970 and 1980. These proportions can be thought of as the chances that a poor person will live in a extremely poor neighborhood.

Table 2 shows the fifteen cities with the largest proportion of poor persons living in extremely poor neighborhoods in 1980. The first column of percentages is the concentration rate for 1970, the second column is the rate for 1980, and the third column is the percentage point change in the rate between 1970 and 1980. Newark had the highest concentration in 1980 (49 percent) and the largest increase in its rate between 1970 and 1980 (31 percentage points). The last row in the table consists of the concentration rates for the fifty largest cities as a whole.

TABLE 2
Concentration of Poor Persons in Extremely Poor Neighborhoods, 1970-1980 (in the Fifteen Cities with the Highest Rates of Concentration in 1980)

Top 15 Cities	1970 (%)	1980 (%)	1970-1980 Change
Newark NJ	17	49	31
Atlanta GA	32	41	10
Cincinnati OH	35	40	6
New Orleans LA	46	39	-8
Memphis TN	45	35	-10
New York NY	11	34	23
Baltimore MD	28	34	6
Louisville KY	27	33	6
Tampa FL	29	33	4
Chicago IL	15	32	17
Philadelphia PA	16	31	15
Cleveland OH	23	29	6
Norfolk VA	41	28	-13
Nashville TN	18	27	9
Birmingham AL	32	26	-6
50 Largest Cities	16	24	8

SOURCE: Adapted from Bane and Jargowsky

As Table 2 shows, *there was a very large increase in the proportion of poor city dwellers living in extremely poor neighborhoods.* For the fifty largest cities as a whole, the concentration rate increased from 16 percent to 24 percent (an increase of 50 percent). Thus, nearly one quarter of the large city poor population lived in extremely poor neighborhoods in 1980.

The cities with the highest concentration rates vary by size. The top fifteen list includes both the two largest (New York and Chicago) and three of the smallest (Norfolk, Tampa, and Louisville, each with fewer than 300,000 persons) of the fifty largest cities.

It is an open question whether even smaller cities have similar levels and changes in the concentration of their poor residents. *But in this study, it appears that medium-size cities are not exempt from high concentration rates.*

On the other hand, in terms of numbers *the concentrated poor are themselves concentrated in a few large cities.* There were 1,615,109 poor people living in extremely poor neighborhoods in the fifty largest cities in 1980; New York, Chicago, and Philadelphia alone accounted for nearly one-half of this total.

The cities are drawn from three of the four regions of the United States (three from the Northeast, three from the Midwest, and nine from the South). Only cities from the West are absent from the table.

There is a regional pattern to the change in concentration. All of the four cities with a decrease in their concentration rate are in the South, while the four cities with the largest increase in concentration are in the Northeast or Midwest.

Bane and Jargowsky provide evidence of a number of interesting changes in concentrated poverty, including findings on concentration by race.

TABLE 3
Concentrated Poverty by Race, 1980

Total **Region** **Top 15 Cities from Table 2**	**Percentage of Poor Persons Living in Extremely Poor Neighborhoods**			
	Total (%)	**White (%)**	**Black (%)**	**Hispanic (%)**
50 LARGEST CITIES	24	7	36	26
Northeast	32	7	42	44
Midwest	25	9	36	12
South	24	7	35	17
West	8	2	16	9
Newark NJ	49	17	56	43
Atlanta GA	41	16	46	35
Cincinnati OH	40	18	57	41
New Orleans LA	39	6	48	18
Memphis TN	35	8	41	41
New York NY	34	8	45	45
Baltimore MD	34	12	42	31
Louisville KY	33	18	48	28
Tampa FL	33	7	58	21
Chicago IL	32	4	47	12
Philadelphia PA	31	8	39	59
Cleveland OH	29	6	43	10
Norfolk VA	28	5	41	18
Nashville TN	27	10	44	43
Birmingham AL	26	8	30	36

SOURCE: Bane and Jargowsky

Table 3 shows the percentage of poor whites, blacks, and Hispanics living in extremely poor neighborhoods. Thus, in all fifty cities, 24 percent of all poor persons lived in high poverty areas and 7 percent of white poor persons lived in high poverty areas. The next four rows of the table show similar percentages for each region, and the bottom fifteen rows show these percentages for the fifteen cities with the highest concentration rates (for all poor persons) in 1980 (from Table 2). Again, these percentages may be thought of as the chances that, for example, a black poor person in Newark lives in an extreme poverty area (56 out of 100).

As Table 3 shows, there are strong racial differences in concentrated poverty. *In the fifty largest cities, a poor black person was five times more likely to live in an extreme poverty neighborhood than a poor white person* (36 percent versus 7 percent). This pattern holds in all parts of the country and in all of the fifteen cities with the largest concentrated poverty populations in 1980.

The North Central region of the United States had the highest rate of concentration among poor whites in 1980 (9 percent). The Northeast region had the highest rate of concentration among poor blacks (42 percent) and poor Hispanics (44 percent).

Among the fifteen cities listed in the table, Cincinnati and Louisville had the highest concentration rate among poor whites (18 percent). Tampa had the highest concentration among poor blacks (56 percent). Philadelphia had the greatest concentration among poor Hispanics (59 percent)

Most striking, however, is the fact that in none of these cities is the black concentration rate less than two-and-one-half times the white rate, and in most cities the black rate is four or five times the white rate. *In Chicago, poor blacks are eleven times more likely to live in extremely poor neighborhoods than poor whites.*

Isolation

The third new dimension of poverty in cities is "isolation". Concentration considers the conditions in specific neighborhoods – for example, the number of extreme poverty neighborhoods. Isolation refers to a person's or a neighborhood's relation to the larger society and the surrounding metropolis – for example, the interaction between poor neighborhoods and the rest of the city or region. Isolation is important because it gives us an indication of the chances open to a poor person to connect with wider opportunities.

The idea of "social isolation" has been developed in a highly influential book by William Julius Wilson, *The Truly Disadvantaged.*[4] He suggests that the black ghetto has become detached from the larger society with fewer middle-class black households and weaker social institutions. This lack of access to role models and supporting affiliations has created a social isolation that limits the ability of poor blacks to escape from poverty. Current research by Wilson attempts to document this social isolation, and it will add greatly to our understanding of this phenomenon.

Another recent study, by the author of this report, develops the idea of “geographic isolation”.[5] Here the idea is that the ghetto has become increasingly segregated from opportunities located in the surrounding metropolis. Certain metropolitan areas have become more clearly segregated into places of better and worse socioeconomic and physical conditions. As the differences between the ghetto and the metropolis widen, ghetto dwellers live in more and more isolated deprivation. This process is the formation of the “impacted ghetto”.

Measuring this impacted ghetto is a two-step process. First, neighborhoods are identified that have levels of deprivation (in this study, male unemployment, welfare, female-headed families, school leaving) that are at least twice the average of neighborhoods throughout the surrounding metropolitan area. By comparing this measure in 1970 and 1980, it is possible to identify any metropolitan areas in which impacted ghettos were formed.

TABLE 4
Impacted Ghetto* Formation in the Metropolitan Areas Containing the 50 Largest Cities

Total Top 5 Metro Areas	1970 Tracts*	1980 Tracts*	Additional Tracts 1970-1980*	Change 1970-1980
Largest SMSAs	149	330	181	121%
Philadelphia	8	44	36	450%
Detroit	10	41	31	310%
Chicago	15	35	20	133%
Baltimore	9	22	13	144%
Cleveland	9	21	12	133%

* Census tracts that have at least twice the median level for census tracts of four characteristics (male unemployment, female-headed families, teenage dropouts, and households receiving welfare) in the metropolitan area.

As Table 4 shows, *several metropolitan areas in the Northeast and North Central regions of the country saw the formation of large impacted ghettos between 1970 and 1980.*

This phenomenon was not typical across the country. The top five metropolitan areas account for one-half of impacted ghetto tracts in 1980 and for two-thirds of the expansion of impacted ghetto tracts between 1970 and 1980. (Furthermore, twenty of the largest metropolitan areas had no change or a decrease in the number of impacted ghetto tracts between 1970 and 1980.)

The second step in examining isolation is to determine the geography of these impacted ghettos. Figure 1 maps the formation of the impacted ghetto in Philadelphia, the metropolitan area with the largest number of tracts and the largest increase.

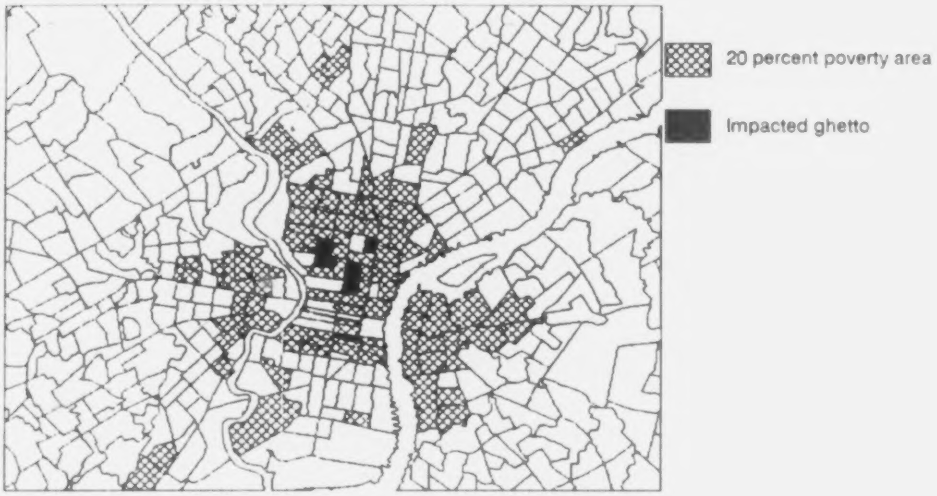
Figure 1 shows that the impacted ghetto has been formed in precisely the older, more central parts of the traditional poor ghetto. The pattern displayed for Philadelphia is typical of the metropolitan areas listed in Table 4.

The central part of the Philadelphia metropolitan area has four large poverty areas that are each adjacent to the central city's downtown: North Philadelphia, West Philadelphia, South Philadelphia, and Camden. In each of these areas, an impacted ghetto was formed between 1970 and 1980. All of the impacted ghetto neighborhoods were poverty neighborhoods in 1970 and virtually all are surrounded by poverty neighborhoods (and/or parks and rivers) in 1980.

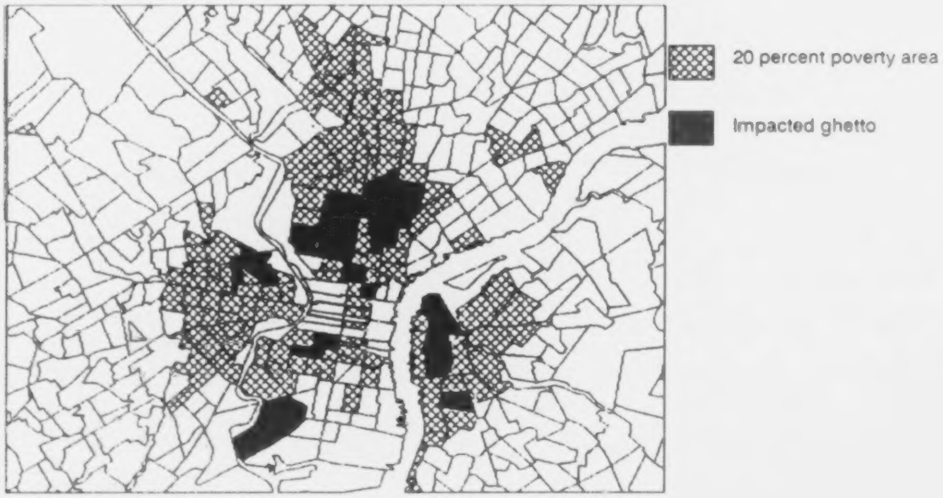
Thus, impacted ghetto tracts have emerged in the most isolated parts of the traditional ghetto. *The impacted ghetto is a place characterized by substantial isolated deprivation.*

Figure 1
Philadelphia Standard Metropolitan Statistical Area (part)

1970 Impacted Ghetto: 8 Tracts Containing 29,445 Persons


20 percent poverty area
Impacted ghetto

1980 Impacted Ghetto: 44 Tracts Containing 194,730 Persons


20 percent poverty area
Impacted ghetto

TOWARD EXPLANATION

There have been several attempts to explain the changing quality and increasing intensity of poverty in cities. This section examines three leading explanations: mismatch, culture, and decentralization.

Mismatch

The first explanation can be discussed under the title "mismatch," which refers to the large-scale transformation of the economy resulting, in particular, in increased education and skills requirements for employment.

The national economy has shifted from blue-collar oriented manufacturing industries toward white-collar and "new-collar" oriented service and information processing industries. This shift has fostered a decreasing demand for unskilled workers, and technical and/or interpersonal skills are becoming a requirement for labor market survival.

A leading proponent of this explanation, Kasarda,[6] has documented the changing requirements of the labor markets in large cities. Precisely such cities contain large numbers of persons with lower education attainments who have been left behind by the changes in the economy. Kasarda labels this process the "emerging urban mismatch".

TABLE 5
Central City Jobs in Industries by Mean Education of Employees

City	Number of Jobs (000) 1959	1970	1985	Change 1959-70	1970-85
New York					
Less than high school	1561	1525	1048	-9	-504
Some higher education	682	1002	1270	320	268
Philadelphia					
Less than high school	466	430	243	-36	-187
Some higher eduction	135	205	256	70	51
Baltimore					
Less than high school	236	207	132	-29	-75
Some higher education	59	90	124	31	34
Atlanta					
Less than high school	130	179	182	49	3
Some higher education	42	92	143	50	51

SOURCE: Adapted from Kasarda.

As Table 5 shows, *many of the cities discussed in the preceding sections of this report have undergone extensive changes in the educational requirements of their economies.* This transformation excludes many poor central-city residents from participating in the service-sector and information-processing economy.

Culture

A second explanation of changing poverty in cities is "culture". This explanation refers to the values and aspirations of ghetto dwellers that appear to be at odds with those of mainstream society. These values regarding work and family might disable many ghetto residents from participating in the economy and from escaping poverty. This explanation is behind much of the discussions of a new "underclass".

Many research questions remain unresolved on this issue. Although the culture explanation might seem true on its face, most versions fail to withstand careful consideration. *It is important to limit our use of this concept* unless and until it is better supported by evidence.

However, the media has continued to articulate this kind of explanation:

> "No one who has watched Bill Moyer's *CBS Reports* on the black family's decline, or read Leon Dash's series on black teenage pregnancy in the *Washington Post*, or Nicholas Lemann's recent *Atlantic* article on the 'Origins of the Underclass', or

> Ken Auletta's book on the same subject, can doubt that there is a culture of poverty out there that has taken on a life of its own."[7]
>
> "The heart of the matter is the continued existence and expansion of what has come to be called the Underclass...And in the last decade, I've watched this group of American citizens harden and condense, moving further away from the basic requirements of a human life: work, family, safety, the law."[8]

The most influential scholarly proponent of the "underclass" idea is Wilson, and he firmly rejects this notion of an intractable culture of poverty.[9] Wilson accepts many of the disturbing descriptions of behavior in the ghetto. However, he attempts to relate these behaviors to changes in the economy such as deindustrialization.

Wilson argues that, rather than having a "life of its own," ghetto culture is a product of the diminished opportunities available in the contemporary ghetto. If these opportunities are changed, then the values, aspirations, and behaviors of the "underclass" would change accordingly.

DiIulio has drawn a compelling parallel.[10] In the early 1980s, many cried that corporate decision makers were underinvesting in America because of government regulation and taxation. But the resulting policy debate focused on changing the incentives, not on changing a "culture of underinvestment". Nobody designed a program around a slogan like "Just Say No to Underinvestment". Instead, we changed the tax law.

Decentralization

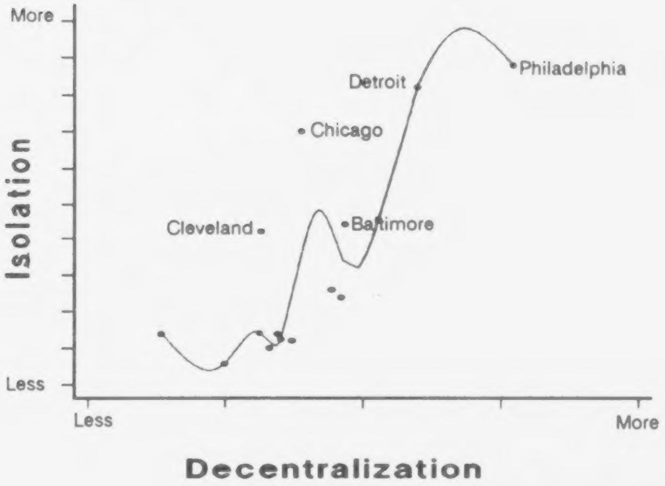
A third explanation of the changing quality of poverty in cities can be discussed as "decentralization". This explanation adds an explicitly geographical perspective to the preceding explanations. While mismatch explanations focus on the changing conditions of central cities, decentralization explanations focus on the changing conditions within metropolitan areas. The structure of metropolitan areas has changed in ways that severely limit the access of the ghetto to opportunity.

Technological innovations and public policies have led many employers to decentralize from central cities toward peripheral suburbs. In one simple example, production technology has changed from vertical (requiring multi-story loft buildings) to horizontal (requiring single-story buildings). Such a change toward horizontal production requires much more land and has led many firms to lower-cost suburbs. In another example, federal highway policies and transportation and inventory innovations have led trucking to replace railroads as the dominant goods-moving sector. As a result, peripheral beltways have replaced central terminals as primary business locations.

Decentralization as an explanation of isolation has been examined by the author of this report. Is there a relationship between the extent of metropolitan decentralization and the formation of an impacted ghetto?

One exploratory answer to this question is provided in Figure 2, which shows a scatterplot of fifteen northeastern metropolitan areas.

Figure 2
Relation of Isolation and Decentralization in the Northeast



Each dot represents a metropolitan area, and each metropolitan area is plotted in relation to its level of isolation (the number of impacted ghetto tracts as described in the section on isolation) and its level of decentralization (the percentage point difference in manufacturing employment loss between the central county and the metropolitan area as a whole). The curve in the figure represents the relationship between isolation and decentralization.

Employment decentralization appears to account for much of the size of impacted ghettos in northeastern metropolitan areas. The lesser the extent of decentralization, the smaller the size of the impacted ghetto. The greater the extent of decentralization, the larger the size of the impacted ghetto.

TOWARD POLICY

How we describe and explain a complex problem like urban poverty is crucial to how we design policy solutions. The proposed policies will be conditioned by our understanding of what is needed.

To the extent that a mismatch is the explanation of the problem, policy needs to provide training and education to match ghetto dwellers to the new economy. To the extent that culture is the explanation of the problem, policy needs to attempt a direct effort at cultural change. To the extent that decentralization is the explanation, policy needs to connect ghetto dwellers to opportunities on the metropolitan periphery.

To the extent that these problems vary at different times and different places, policy makers must be prepared to adapt their strategies to the situations.

The rest of this report examines in some detail particular strategies. When we understand the problems of the inner city as *isolation* from opportunity by decentralization, the policy goal becomes overcoming isolation by establishing and maintaining *connections* to opportunity.

It is interesting to note that the same isolation that creates barriers to entry-level employment for ghetto residents is creating severe labor shortage in the suburbs. This labor shortage is probably the largest single threat to continued expansion in many metropolitan economies. *So whether our attention is on the poor or on the economy, the issues are very much the same.*

Dispersal vs. Development Strategies

There have been two main strategies for connecting the ghetto to opportunity: dispersal strategies and development strategies. Both strategies start with the observation of metropolitan decentralization: employment and population have relocated toward the periphery while the poor have remained behind in the inner city.

Dispersal strategies seek to decentralize the residences of poor people from the central city to the suburbs. Development strategies seek to recentralize regional employment from the suburbs to the central city. Neither strategy has been wildly successful.

In essence, dispersal strategists misunderstand the sociology of the problem: socioeconomic mobility cannot be obtained or sustained simply by leaving the ghetto. They also underestimate the politics of the problem: the structure of our metropolitan settlements provides numerous mechanisms to prevent dispersal. Development strategists misunderstand the economics of the problem: jobs have relocated to the metropolitan periphery for reasons that would be too costly to reverse, if they could be reversed at all.

Each strategy provides a sufficient critique of the other. Yet those who think dispersal and development are the only options misunderstand (or simply ignore) the geography of the problem: *the same forces that have fostered metropolitan decentralization (for example, transportation and communication innovations) can be exploited to connect city residents to suburban jobs.*

A Mobility Strategy

A six-pronged *mobility strategy* would begin to make those connections.

First, *provide job training* to prepare city would-be workers for the suburban labor market of retail outlets, back-office operations, and high-tech light industry. The inner-city training problem is not necessarily one of preparing would-be-workers for the "knowledge-intensive" economy of the central city. The training gap between present skills and needed skills is clearly smaller for blue-collar employment (which has decentralized to the periphery) than for the white-collar employment that has come to dominate the central-city economy. The fact that the central-city labor market is more knowledge-intensive creates a so-called "mismatch" only if the analysis remains bounded by the central city itself. The foundation of the mobility strategy is that the central city (and its distressed neighborhoods) is in fact part of a larger metropolitan labor market. "Mismatches" are an artifact of census geography. The real problems rest with the information and transportation barriers that prevent the city and suburbs from acting as a single labor market.

Second, *create job information systems* to match city workers to suburban employers. One recent study shows that there is significant spatial disequilibrium in metropolitan labor markets – labor surplus in the central city, labor shortage in the suburbs. Because of this disequilibrium, wages are rising in peripheral areas. Yet ghetto workers are often isolated from these opportunities by a lack of information. As a result, central-city Private Industry Councils are often people banks, while suburban ones are job banks. Reorganizing these banks from county to regional organizations is a way to improve the job information system.

Third, *restructure transportation systems* to facilitate outbound journeys-to-work. This might include modifying routes, schedules, and fares within public transit systems, as well as subsidizing private automobile costs (insurance, fuel, etc.). This subsidy need not be wholly public. More and more suburban employers are cooperating with transit authorities and paying for much or all of the costs of new routes. Employer-sponsored vanpooling is another option. This is often an efficient move for suburban employers because it is typically less expensive to subsidize transportation for a group of workers (who can share some of the transportation services) than to raise wages sufficiently to cover the costs of individual commuting. Also, community development groups and other community groups represent an untapped resource for the organization and maintenance of transportation alternatives. Of course, many of these "reverse commuting" programs were tried in demonstration projects during the late 1960s and early 1970s. These demonstrations were widely acknowledged to be less than successful. But again, the informal evidence from around the country seems to indicate that the incentives for cooperation (for example, labor shortage in the suburbs) are much stronger now than fifteen or twenty years ago.[11] SEPTA, the transit authority in the Philadelphia region, has planned several reverse commuting routes. Ridership on the implemented routes is far exceeding expectations.

Fourth, *provide day care* facilities and subsidies for parents of young children while they are training for jobs, searching for jobs, or working. It is clear that many of the people who could benefit from the mobility strategy are women with young children. As in many other strategies for confronting the problems of poverty, child care would be absolutely essential to making the benefits of the mobility strategy available to these parents.

Fifth, *increase the level of the earned income credit* to supplement the wages of entry-level jobs. The credit provides a mechanism for supporting low-income workers while delivering that support through employment. It also helps increase the attractiveness of employment opportunities. The mobility strategy would involve significant transportation costs on relatively lower wage workers. The incidence of those costs could fall on the workers, the employers, or the public. This incidence is always a complex question and would certainly shift as the relative accessibility of peripheral employment is increased through the programs outlined above (that is, firms would likely attempt to lower the extraordinarily high entry-level wages they are now paying to attract workers). The earned income credit would provide a mechanism by which to moderate the incidence of these costs on workers.

Sixth, *modify policing and correctional practices* to protect the residents of the impacted ghetto from the criminals in their midst.[12] This should include community policing programs and intensive probation and parole programs. Community policing would help to protect the lives and property of the law-abiding residents of these areas better than they are protected now. Intensive probation and parole programs would improve conventional programs, which involve little direct supervision of offenders and are highly unstructured. The average probation or parole agent has about two hundred offenders to monitor. These intensive supervision programs are more expensive than conventional community-based programs. But the relevant comparison is between these programs and incarceration. While it is too soon to pronounce these programs a complete success, preliminary evaluations have been encouraging – a savings of $6,500 per offender per year, lower recidivism, and offenders able to return something other than trouble to their community.

Global competition, limits on new immigration, industrial restructuring, and metropolitan decentralization have combined to create a window for directing attention to helping the disadvantaged largely because the economy needs the labor to survive. *One of the chief strengths of the mobility strategy is that it seeks to exploit these incentives throughout the metropolitan area.*

City residents get access to economic opportunity without sacrificing community networks such as extended family and institutional affiliations. Suburban employers get access to the entry-level workers who are increasingly absent from suburban labor markets. City governments retain voters who have received the benefits of the strategy. Suburban governments can ease housing development pressures being driven by the excess labor demand of decentralizing employment within the region.

The point of this strategy is to reconnect the ghetto to opportunity. That connection has been disrupted by metropolitan decentralization and other factors. The components of the mobility strategy are designed to restore that connection by exploiting the very incentives created by decentralization itself.

In our complex urban fabric, the ghetto has become a frayed and forgotten place. Rather than patch it and hope the patch holds, the mobility strategy seeks to reweave the ghetto into the fabric of the metropolis. We would all benefit from the stronger fabric that results.

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12 John J. DiIulio, Jr. and Mark Alan Hughes, *The Real Underclass Problem* (Woodrow Wilson School, Princeton University, October 1988).

About The National League of Cities

The National League of Cities was established in 1924 by and for reform-minded state municipal leagues. It now represents 49 leagues and more than 1,300 cities directly and, through the membership of the state municipal leagues, more than 16,000 cities indirectly.

NLC serves as an advocate for its members in Washington in the legislative, administrative, and judicial processes that affect them; develops and pursues a national urban policy that meets the present and future needs of our nation's cities and the people who live in them; offers training, technical assistance and information to municipal officials to help them improve the quality of local government in our urban nation; and undertakes research and analysis on topics and issues of importance to the nation's cities.

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Research
Report
on America's
Cities

ISSUES AND OPPORTUNITIES FOR UNIVERSITY COMMUNITIES

A Survey of Cities

One of a series of Research Reports
on major empirical studies of conditions
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ISSUES AND OPPORTUNITIES FOR UNIVERSITY COMMUNITIES

By

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Staff Associate
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With Research Assistance from
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Associate Planner
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March 1989

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PREFACE

This research report of the National League of Cities presents information gathered from a university communities survey that NLC and the City of Newark, Delaware, conducted. The survey was done at the direction of NLC's University Communities Caucus, which was founded in 1978 to give elected officials from university communities an opportunity to share information on common concerns and models for city-university cooperation.

The findings of this report continue NLC's tradition of involvement in university community issues. In the pages that follow, survey analysis will focus on both the issues and opportunities for local governments in university cities. As the report indicates, relations between cities and institutions of higher education remain strong and continue to hold even greater potential for community enhancement.

This most recent university communities survey builds on two previous research efforts. In 1979 and again in 1984, the City of Newark and the National League of Cities cooperated on similar surveys.

For this year's survey research report, the survey instrument was designed by NLC staff and the Planning Department of Newark, where the University of Delaware is located. Data tallies and initial statistical analysis was conducted by Newark's Associate Planner Maureen Feeney Roser, under the supervision of Planning Director Roy H. Lopata. NLC staff completed the analysis and wrote the report.

Much of credit for this report, and past survey efforts, goes to the Honorable William M. Redd, mayor of Newark. Mayor Redd served as chair of the University Communities Caucus for eight years before stepping down at the close of 1988 in anticipation of retirement from public office.

We are pleased to release this survey research report. We are confident that it will stand as a useful guide to city and university officials who are interested in the partnerships and problems found in university communities.

Alan Beals **Executive Director**	**Thomas H. McCloud** **Director,** **Office of Membership Services**

ACKNOWLEDGMENTS

I wish to extend my gratitude first and foremost to the city officials who completed questionnaires for the university communities survey. This research report presents the information they provided. Without their time and effort, no analysis would have been possible.

I also am grateful to Maureen Feeney Roser and Roy H. Lopata, associate planner and planning director, respectively, for the City of Newark, Delaware. It was a pleasure to work with them on the survey design, implementation and analysis.

My thanks to the elected officials of Newark for their commitment to this project. In particular, Mayor William M. Redd, Jr., former chair of NLC's University Communities Caucus, has been a driving force behind past and present university community survey efforts.

The officers and board directors of the University Communities Caucus, including Mayor Redd, deserve appreciation for their patience and support on this project. Thomas McCloud, NLC's director of Membership Services, and NLC senior staff associate Virginia Mayer win thanks for their dedication of time and resources to the production of this research report.

Others at the National League of Cities who assisted with this document include Pam Callison, manager of computer services; William Barnes, director of research; Doug Peterson, senior policy analyst; Jeff Fletcher, marketing director; and Catherine Moses, senior secretary.

EXECUTIVE SUMMARY

As part of an ongoing effort to investigate municipal concerns, the National League of Cities joined with the City of Newark, Delaware, in 1988 to survey university communities about the special issues and opportunities that arise in these cities. Survey responses were received from 82 communities, ranging in size from Morris, Minnesota --population 5,367 -- to Indianapolis, Indiana -- population 785,000. The research effort built upon surveys done in 1979 and 1984.

Major findings of the survey include the following:

- Survey cities overwhelmingly rate their relationships with local universities and colleges as favorable.
- For most survey cities recognizing an effect, the presence of an institution of higher education favorably influences the city's ability to provide economic development, educational, library, social, transit, and park and recreational services. The effect of universities and students on city provision of police and fire services, and streets and roads, is negative more often than not for the survey cities as a group.
- Of the survey cities responding to a question about cooperation, most reported that cooperation exists between cities and universities on matters of police and security, economic development, city planning, environmental issues, mass transit, adult education, technology use and vocational education.
- The most frequently cited municipal services provided by survey cities to major universities and colleges are fire, sewer, water and police. Survey information about payment from universities for municipal services shows that cities usually receive nothing for police and fire, but generally receive reimbursement equal to costs for sewer and water.
- Responses to several survey questions indicate that the most common university-related problems for cities concern traffic and parking issues. Other problems mentioned include housing, the provision of city services to tax-exempt universities, and student behavior.

A brief summary of specific survey findings, by topic, follows. Survey results are analyzed according to population categories in other sections of this report.

A PROFILE OF THE SURVEY CITIES

The 82 cities responding breakdown by population as follows: 16 with less than 25,000, 18 with 25,000-49,999, 23 with 50,000-99,999, and 25 with populations of 100,000 or more.

The average number of full-time students at the major institution -- or in some cases institutions -- in a survey community is 15,977. On average, 30 percent of the students reside in university dormitories.

Most survey communities reported that university-held, tax-exempt land accounts for less than 10 percent of total local property. The share of such land tends to be larger in the smaller survey cities.

CITY-UNIVERSITY RELATIONS AND UNIVERSITY EFFECTS

City-university relations were rated as "good" and "very good" by 86 percent of the cities. Thirteen percent described relations as "fair," and one city chose "poor" as the appropriate adjective.

Respondents were asked to identify the effect universities and students had on the ability of municipalities to provide specific services. In no case did more than half the cities responding claim no affect from the universities on these city services.

Of those recognizing an effect, more judged it negative than positive for police (42 percent compared to 20 percent), fire (33 percent compared to 19 percent), and streets and roads (38 percent compared to 16).

Positive impacts from universities far outweighed negative ones for economic development (90 percent compared to 3 percent) and education (81 percent compared to 4 percent). Other areas for which positives outweighed negatives were libraries, social services, transit, and parks and recreation.

MUNICIPAL SERVICES

On the issue of municipal services, most survey cities reported that they provide fire (89 percent), sewer (87 percent), water (78 percent) and police (62 percent) to major local universities and colleges. Of those cities providing services and responding to a question on payments from universities for them, 78 percent said no payment is received for police and 64 percent said no payment is received for fire. For sewer and water, 91 and 97, respectively, reported payment from universities, usually on a pay-as-you-go basis for amount of service provided.

MUNICIPAL REVENUES

Eleven percent of the survey cities reported operating budget revenue from university subvention -- or university subsidy payments -- and 15 percent noted receipt of university-related state payments. University subvention does not account for more than approximately 10 percent of operating budget revenues for any survey city that receives and reported it.

Property taxes are the most common source of revenue for the operating budgets of responding cities. Ninety-five percent cited property taxes as a source of revenue, while 76 percent cited utilities, 70 percent cited non-university-related state support, 63 percent cited sales taxes, and 42 percent cited federal dollars.

CITY-UNIVERSITY COOPERATION

Survey respondents noted a high level of cooperation between cities and local institutions of higher education on a range of local issues. In those survey cities providing information on cooperation, joint efforts occur in the areas of police and security (96 percent), internships (96 percent), business assistance (77 percent), other economic development initiatives (86 percent), city planning (75 percent), environmental issues (68 percent), mass transit (60 percent) and general adult education (60 percent).

Survey cities also reported cooperation on technology use (53 percent), vocational education (51 percent), and energy initiatives (48 percent).

Many cities provided information about specific joint city-unversity projects, especially in the areas of economic development, waste management, emergency services, arts, education and mass transit.

Survey responses indicate that resource constraints, especially financial ones, are a common obstacle to cooperative ventures.

UNIVERSITY- AND STUDENT-RELATED PROBLEMS

The survey questionnaire included a fill-in-the-blank inquiry about university-related problems. Parking and traffic issues received most frequent mention (39 times), followed by housing (27), issues relating to city services provided to tax-exempt universities (21), student behavior (17), and resident-student, or university-community, relations (11).

The survey also listed four issues -- drinking, drugs, parking and housing -- and asked respondents to indicate whether or not students create special problems for the communities with regard to these areas. Seventy-five percent of the survey cities cited student-caused parking problems, 64 percent cited housing problems, 63 percent drinking and 46 percent drugs.

FORMAL CITY-UNIVERSITY ORGANIZATIONS

Of the survey cities responding to a question about joint organizations, 42 percent said a formal city-university body exists. Descriptions of these organizations indicate that some are directed at specific topics -- economic development, planning, housing and infrastructure -- but most serve as a forum for all issues of concern to both the community and the university or college.

I. INTRODUCTION

Cities with institutions of higher education within their borders, or very nearby, face many common issues and opportunities. The presence of a university or college affects local housing markets, educational opportunities, neighborhood lifestyles, economic development outlooks, law enforcement concerns and many other municipal matters. For smaller cities, the impacts likely will be felt throughout the community, while in larger cities, selected neighborhoods may be affected. In cities of all sizes, universities and colleges exert a strong influence on local circumstances.

The information contained in this report highlights priority issues for university communities. The findings are based on survey responses from 82 cities with universities or colleges either within their borders or in adjacent areas. The survey questionnaire sought information about demographics, housing markets, municipal services, municipal revenues, and areas of partnerships and problems for cities and universities. The results provide useful comparisons for university communities to consider in assessing their own situations.

The pages that follow will present statistics and examples relating to such specific issues as the following:

- City populations and student enrollment levels
- University- and college-held tax-exempt land
- Local housing units and student dormitory populations
- The affect of universities and colleges on city services
- Municipal services provided to universities and payments received for such services
- Sources of municipal revenues
- Areas of cooperation between cities and universities
- University- and student-related problems
- And formal, joint city-university organizations.

The research findings reflect circumstances for the 82 cities that responded. The overwhelming majority of responding cities have universities or colleges within their borders, though a number of the cities surround or are very near institutions or higher education. (See Appendix for list of responding cities.)

It would be difficult to universalize the information collected from this small group to the circumstances for all university communities. Nevertheless, the information provides a solid indication of the relationships and interactions between cities and institutions of higher education.

The survey questionnaire itself was designed by staff of the National League of Cities (NLC) and the City of Newark, Delaware, and distributed in the summer of 1988 to 295 cities included on a mailing list of NLC's University Communities Caucus. Many cities on the list had responded to past NLC-Newark university community surveys. Others were active in the University Communities Caucus, which was founded in 1978 to provide city officials from university communities with an opportunity to share information on common concerns and models of city-university cooperation. A number of cities were included because they were known contain universities and colleges with memberships in national education associations.

Similar university community surveys were conducted twice previously by the National League of Cities and the City of Newark -- first in 1979 when 56 cities responded, and again in 1984 when 40 cities returned questionnaires. The 1988 survey instrument differs substantially from those of past survey efforts, but some comparisons will be made, when reasonable, between results of the different surveys.

As with past survey reports, the data in this document often are broken down by city size in order to allow for a clearer understanding of the different circumstances in university communities with different populations. Of the 82 respondents, 16 are cities of less than 25,000, 18 have populations of 25,000-49,999, 21 have 50,000-99,999 residents, and 25 have populations of 100,000 or more. (See Table 1.)

TABLE 1

BREAKDOWN OF SURVEY RESPONSES BY CITY SIZE

	Number Responding	Percent of Survey Responses
All Cities	82	100%
Cities with Populations of Less than 25,000	16	20%
Cities with Populations of 25,000-49,999	18	22%
Cities with Populations of 50,000-99,999	23	28%
Cities with Populations of 100,000 or More	25	30%

II. PROFILES OF THE SURVEY CITIES

This most recent university communities survey sought information about several local demographic characteristics. Notably, all respondents provided city populations, which include resident students, and all but a few provided enrollment figures for full-time students at the major local university, or in some cases universities. The data collected shows a total of 8.6 million full-time students enrolled in the major universities and colleges of 79 responding cities. (See Appendix for listing universities and colleges.)

Table 2 shows average city populations and student enrollments for different sized cities. A total of 1.3 million students -- 15,977 students on average -- were enrolled in the major universities and colleges of the 79 communities providing enrollment information. Cities with populations of 50,000-99,999 reported the highest average student enrollment level (20,726), and cities with less than 25,000 residents reported the lowest average (about 8,000.)

Survey results also offer rough indications of how much city land is university-held, tax-exempt property. The survey question asked respondents to estimate the share of such land in 10 percent increments of from 10 to "80 percent or more." The 77 responses show that university and college property accounts for 10 percent or less of the land in most communities. (See Table 3.) Many respondents noted on the questionnaire that the share is in fact below 5 percent.

In smaller survey cities, as a rule, a larger share of city land is held by institutions of higher education. Four of the 15 cities with populations of less than 25,000 estimated university tax-exempt property at approximately 20 percent of all city land, and three of these small cities indicated that such property accounted for about half the local land. Among responding cities with populations of 25,000-49,999, more than a quarter (28 percent) indicated that university property accounted for about 30 percent of the city's land.

All but one of the cities with populations of 100,000 or more estimated university tax-exempt property at 10 percent or less of the local land. The exception is Ann Arbor, Michigan, where university-held, tax-exempt land is estimated to account for about 50 percent of the property.

TABLE 2

CITY POPULATIONS AND FULL-TIME STUDENT ENROLLMENTS

	Average City Population*	Average Student Enrollment**	Number Providing Enrollment Information
All Cities	104,853	15,977	79
Cities with Populations of Less than 25,000	15,893	7,976	16
Cities with Populations of 25,000-49,999	35,914	15,359	18
Cities with Populations of 50,000-99,999	65,924	20,726	21
Cities with Populations of 100,000 or More	247,237	17,619	24

* Based on populations for all 82 cities responding to the survey.
** Based on cities providing information with regard to student enrollment.

TABLE 3

APPROXIMATE PERCENTAGE OF UNIVERSITY-HELD, TAX-EXEMPT LAND IN CITIES

	None*	10% or Less	Approx. 20%	Approx. 30%	Approx. 40%	Approx. 50%	Approx. 60%	Total Responding
All Cities	6%	58%	9%	14%	3%	8%	1%	77
Cities with Populations of Less than 25,000	7%	27%	27%	7%	13%	20%	0%	15
Cities with Populations of 25,000-49,999	17%	39%	11%	28%	0%	6%	0%	18
Cities with Populations of 50,000-99,999	5%	57%	5%	24%	0%	5%	5%	21
Cities with Populations of 100,000 or More	0%	96%	0%	0%	0%	4%	0%	23

Survey data also provide a profile of the housing situation within responding cities. Totals for the number of different housing units yield a ratio of 2.6 single-family units to multifamily units in cities of less than 25,000, 1.4 in those of 25,000-49,999, 1 in those of 50,000-99,999, and 1.5 in cities of 100,000 or more. (See Table 4.)

The survey questionnaire also requested an estimate of rental units in a city as a percentage of total dwelling units -- again with 10 percent increments were suggested. Results show that survey cities of less than 25,000 in population are least likely to have rental units make up 50 percent or more of the local housing market. (See Table 5.) Survey cities with populations of 50,000-99,999 -- the same group with the highest average student enrollment level --are more likely than others to have rental units accounting for approximately half the dwellings.

As for student housing, survey data from 75 cities indicates that on average about 5,000 students live in dormitories of the major universities or colleges in each community. (See Table 6.) The actual number of dormitory residents in survey cities ranges from 0 in a number of communities to 17,000 in New Brunswick, New Jersey. The share of students living in dorms on average is highest in survey cities of 25,000-49,999.

Survey respondents also provided information about the size of the city police force. As Table 7 shows, survey cities have 1.75 police officers per 1,000 residents, on average. Past university communities caucus surveys showed 1.48 police officers per 1,000 among 1979 survey cities and 1.82 per 1,000 among 1984 survey cities. Annual police budgets listed for the 1988 survey ranged, on average, from $1.4 million for cities of less than 25,000 to $24.2 million for cities of 100,000 or more.

TABLE 4

HOUSING UNITS IN CITIES
Excluding University Dormatories

	Average Total Units*	Average Single-Family Units	Average Multifamily Units	Ratio of Single/Multi-Family Units	Total Responding
All Cities	42,868	25,044	17,601	1.42	77
Cities with Populations of Less than 25,000	5,026	3,605	1,396	2.58	15
Cities with Populations of 25,000-49,999	12,914	7,443	5,314	1.40	17
Cities with Populations of 50,000-99,999	25,085	12,255	12,674	0.97	21
Cities with Populations of 100,000 or More	103,296	62,102	40,744	1.52	24

* Sum of single-family units and multi-family units may differ from number listed for total units because data from some survey responses are not additive.

TABLE 5

RENTAL UNITS AS AN APPROXIMATE PERCENTAGE OF TOTAL DWELLING UNITS

	Approx. 10%	Approx. 20%	Approx. 30%	Approx. 40%	Approx. 50%	Approx. 60%	Approx. 70%	Total Responding
All Cities	4%	7%	19%	23%	25%	16%	7%	75
Cities with Populations of Less than 25,000	7%	7%	40%	33%	7%	7%	0%	15
Cities with Populations of 25,000-49,999	6%	6%	19%	6%	13%	31%	19%	16
Cities with Populations of 50,000-99,999	0%	5%	5%	23%	45%	14%	9%	22
Cities with Populations of 100,000 or More	5%	9%	18%	27%	27%	14%	0%	22

TABLE 6

DORMITORY POPULATIONS AND FULL-TIME STUDENT ENROLLMENTS

	Average Dormatory Population	Average Student Population*	Percent of Students Living in Dormatories	Total Responding
All Cities	4,981	16,337	30%	75
Cities with Populations of Less than 25,000	3,200	8,871	36%	13
Cities with Populations of 25,000-49,999	6,185	15,359	40%	18
Cities with Populations of 50,000-99,999	6,316	20,726	30%	21
Cities with Populations of 100,000 or More	3,828	17,316	22%	23

*Average student populations differ from those listed for "City and Full-Time Student Populations" because only those cities responding to dormatory question were included in tallies for "Student and Dormatory Populations."

TABLE 7

POLICE FORCE SIZE AND COST

	All Cities	Less Than 25,000	25,000-49,999	50,000-99,999	More Than 100,000
Average Number of Police Officers	184	27	67	105	452
Average Number of Officers per 1,000	1.75	1.70	1.87	1.59	1.83
Average Annual Budget (in millions of dollars)	9.9	1.4	3.2	6.1	24.2

Results based on 81 responses. No response received from one city with a population of more than 100,000.

In addition to city police, most university communities have university and college security forces operating on campuses and sometimes in the campus area. Survey data on university security officers indicates that the average number of such officers is about 21 in cities of 25,000 or less, 34 in cities of 25,000-49,999, 42 in cities of 50,000-99,999, and 30 in cities of 100,000 or more. (See Table 8.) Not surprisingly, the ratio of security officers to police officers was highest in cities of less than 25,000 (.92) and lowest in cities of more than 100,000 (.07).

TABLE 8

UNIVERSITY SECURITY OFFICERS

	All Cities	Less Than 25,000	25,000-49,999	50,000-99,999	More Than 100,000
Average Number of University Security Officers in Cities	32.32	20.92	33.71	42.22	29.85
Ratio of Security Officers to Police Officers	0.18	0.92	0.50	0.40	0.07
Total Responding	65	13	14	18	20

The 1988 university communities survey sought information about the availability of public transit in university communities. Buses are the most common mass transit mode among responding cities of all sizes, followed by dial-a-ride programs. (See Tables 9-A through 9-E.) Universities and local governments -- including those other than the city -- cooperate most often to provide bus service in survey cities, although some cooperation on dial-a-ride programs is evident from the survey data. (More information on joint mass transit efforts is contained later in this report in a section on city-university cooperation.)

TABLE 9-A

PUBLIC TRANSPORTATION IN SURVEY CITIES OF ALL SIZES

	Transit Available	Government, University Cooperate to Provide*	Total Responding
Bus	89%	21%	80
Train	36%	0%	73
Taxi	93%	0%	80
Light Rail	11%	0%	70
Dial-a-Ride	54%	10%	74

* Includes cities reporting cooperation among governnment, university and the private sector.

TABLE 9-B

PUBLIC TRANSPORTATION IN SURVEY CITIES LESS THAN 25,000

	Transit Available	Government, University Cooperate to Provide	Total Responding
Bus	60%	22%	15
Train	23%	0%	13
Taxi	87%	0%	15
Light Rail	0%	*	12
Dial-a-Ride	46%	17%	13

TABLE 9-C

PUBLIC TRANSPORTATION IN SURVEY CITIES 25,000-49,999

	Transit Available	Government, University Cooperate to Provide	Total Responding
Bus	83%	33%	18
Train	33%	0%	18
Taxi	83%	0%	18
Light Rail	6%	0%	18
Dial-a-Ride	53%	11%	17

TABLE 9-D

PUBLIC TRANSPORTATION IN SURVEY CITIES 50,000-99,999

	Transit Available	Government, University Cooperate to Provide	Total Responding
Bus	100%	14%	22
Train	53%	0%	19
Taxi	100%	0%	23
Light Rail	19%	0%	16
Dial-a-Ride	68%	8%	19

TABLE 9-E

PUBLIC TRANSPORTATION IN SURVEY CITIES 100,000 OR MORE

	Transit Available	Government, University Cooperate to Provide	Total Responding
Bus	100%	20%	25
Train	30%	0%	23
Taxi	96%	0%	24
Light Rail	17%	0%	24
Dial-a-Ride	48%	8%	25

III. CITY-UNIVERSITY RELATIONS AND UNIVERSITY EFFECTS

The survey questionnaire asked respondents to identify relations as "poor," "fair," "good" or "very good." About six in seven (86 percent) of all survey respondents rated local city and university relations as "good" or "very good." (See Table 10.) Only one city -- a community of more than 100,000 -- chose "poor" as the appropriate adjective.

The smallest and largest cities most frequently rated relations as "very good" -- 44 percent of both those with less than 25,000 residents and those with 100,000 or more. Cities with populations of 25,000-49,999 and 50,000-99,999 were most likely to describe relations as "fair" (17 percent in both cases).

TABLE 10

CITY AND UNIVERSITY RELATIONS

	All Populations	Less Than 25,000	25,000-49,999	50,000-99,999	More Than 100,000
Poor	1%	0%	0%	0%	4%
Fair	13%	6%	17%	17%	12%
Good	49%	50%	56%	52%	40%
Very Good	37%	44%	28%	30%	44%

Responses received from all 82 survey cities.

Survey respondents also were asked what effect universities and students had on their city's ability to provide nine specific services, ranging from police and fire to education and economic development. The answers indicate that the presence of a university or college may be both a benefit and a burden for municipal governments.

Among all cities responding and reporting some effect, more chose negative over positive for police, fire, and streets and roads. (See Table 11-A.) Ratings of positive outweigh those of negative for the effect of universities and students on transit, libraries, social services (such as health, child care, aged), education and economic development. More than nine in ten respondents recognize a positive impact on local economic development services. The effect of universities on educational services also is widely recognized by survey respondents and overwhelmingly identified as favorable.

Cities of different sizes judge differently the effects of universities and students on the ability of cities to provide services. Interestingly, in no case did a majority of the smallest survey cities that recognized a university effect on services rate it as negative. (See Table 11-B.) Among these cities, as many chose positive as negative for streets and roads, and police services. Positive responses for police services may reflect the impact of university security officers on the communities. More of the smaller cities chose positive than negative for fire services.

For survey cities of 25,000-49,999 and 50,000-99,999, most see an effect on police and fire, and by far and away an effect was most often rated as negative. (See Tables 11-C and 11-D.) Not surprisingly, communities with populations of 100,000 or more are most likely to see no effect from universities and students on the ability of the city to provide services. (See Table 11-E.) Almost three-fourths of the respondents from cities in this population category chose "no effect" for police (72), fire (71), transit (74), streets and roads (75), and parks and recreation (72). But almost nine in ten of these cities (88 percent) reported a positive university impact on economic development and educational services.

TABLE 11-A

EFFECT OF UNIVERSITIES AND STUDENTS
ON THE ABILITY OF CITIES TO PROVIDE SERVICES
For Cities of All Sizes

	Positive Effect	Negative Effect	No Effect	Total Responding
Police	20%	42%	38%	81
Fire	19%	33%	48%	79
Transit	39%	11%	50%	70
Streets and Roads	16%	38%	46%	80
Parks and Recreation	34%	16%	50%	80
Libraries	59%	5%	36%	76
Social Services	40%	10%	49%	67
Education	81%	4%	15%	74
Economic Development	90%	3%	7%	80

TABLE 11-B

EFFECT OF UNIVERSITIES AND STUDENTS
ON THE ABILITY OF CITIES TO PROVIDE SERVICES
For Cities with Populations of Less Than 25,000

	Positive Effect	Negative Effect	No Effect	Total Responding
Police	40%	40%	20%	15
Fire	36%	29%	36%	14
Transit	44%	11%	44%	9
Streets and Roads	33%	33%	33%	15
Parks and Recreation	33%	20%	47%	15
Libraries	43%	7%	50%	14
Social Services	11%	11%	78%	9
Education	73%	0%	27%	11
Economic Development	93%	0%	7%	14

TABLE 11-C

EFFECT OF UNIVERSITIES AND STUDENTS
ON THE ABILITY OF CITIES TO PROVIDE SERVICES
For Cities with Populations of 25,000-49,999

	Positive Effect	Negative Effect	No Effect	Total Responding
Police	28%	56%	17%	18
Fire	17%	39%	44%	18
Transit	50%	25%	25%	16
Streets and Roads	28%	56%	17%	18
Parks and Recreation	50%	22%	28%	18
Libraries	75%	6%	19%	16
Social Services	53%	20%	27%	15
Education	75%	6%	19%	16
Economic Development	94%	0%	6%	18

TABLE 11-D

EFFECT OF UNIVERSITIES AND STUDENTS
ON THE ABILITY OF CITIES TO PROVIDE SERVICES
For Cities with Populations of 50,000-99,999

	Positive Effect	Negative Effect	No Effect	Total Responding
Police	9%	61%	30%	23
Fire	17%	48%	35%	23
Transit	45%	9%	45%	22
Streets and Roads	4%	48%	48%	23
Parks and Recreation	36%	18%	45%	22
Libraries	52%	10%	38%	21
Social Services	37%	11%	53%	19
Education	82%	9%	9%	22
Economic Development	87%	4%	9%	23

TABLE 11-E

EFFECT OF UNIVERSITIES AND STUDENTS
ON THE ABILITY OF CITIES TO PROVIDE SERVICES
For Cities with Populations of 100,000 or More

	Positive Effect	Negative Effect	No Effect	Total Responding
Police	12%	16%	72%	25
Fire	13%	17%	71%	24
Transit	22%	4%	74%	23
Streets and Roads	8%	17%	75%	24
Parks and Recreation	20%	8%	72%	25
Libraries	64%	0%	36%	25
Social Services	46%	4%	50%	24
Education	88%	0%	12%	25
Economic Development	88%	4%	8%	25

IV. MUNICIPAL SERVICES

City governments often provide important services to local universities and colleges, and this can be a source of tension. In some cases, city officials complain that institutions of higher education require municipal services but provide no funding for them because of tax-exempt status. In other cases, universities pay for city services just like other users. Results from the university communities survey provide some data on these issues of municipal services to universities and colleges.

The survey questionnaire asked respondents to indicate whether or not their cities provide eight specific services to the major local institution of higher education. Table 12 shows that of the cities responding for each category, most provide police (62 percent), fire (89 percent), water (78 percent) and sewer (87 percent) services. Just under half (44 percent) provide transit services.

The survey also requested information about form of payment, if any, from the university to the city for services provided. (See Table 13.) Most cities responding to survey questions on payment for water and sewer services reported that universities and colleges pay according to amount used (78 and 76 percent respectively). For police and fire, however, most of those that indicated form of payment said no payment is received -- 78 percent in the case of police services and 64 percent in the case of fire. Some universities and colleges do provide a set fee for police and fire services over a period of time, and a handful pay some sort of user fees.

As with past university communities, an effort was made to determine how much of a financial burden cities bore in providing services to universities and colleges. Respondents were asked to characterize university payments as a share of city costs for the services the city provides. The survey included three options -- "less than city expense," "more than city expense" and "equal to city expense." In some cases, respondents indicating no payment for the service nevertheless provided a rating, but in other cases they did not.

TABLE 12

CITY SERVICES PROVIDED TO UNIVERSITIES AND COLLEGES
For Cities of All Sizes

	Cities Providing Service to University	Cities Not Providing Service to University	Total Responding
Police	62%	38%	78
Fire	89%	11%	81
Water	78%	22%	81
Sewer	87%	13%	79
Refuse	37%	63%	70
Hazardous Waste Disposal	10%	90%	68
Electric	23%	77%	71
Transit	44%	56%	66
Other	67%	33%	15

TABLE 13

CITY SERVICES AND UNIVERSITY PAYMENT
For Cities of All Sizes

	No Payment Received	Set Fee For Service	Pay As You Go	Other	Number of Cities Providing Service and Indicating Form of Payment
Police	78%	5%	7%	10%	40
Fire	64%	14%	3%	19%	64
Water	7%	13%	78%	2%	55
Sewer	9%	14%	76%	2%	58
Refuse	18%	14%	59%	9%	22
Hazardous Waste Disposal	60%	20%	0%	20%	5
Electric	0%	7%	87%	7%	15
Transit	19%	23%	42%	15%	26

Six in seven (86 percent) of the cities responding to this question reported that university support is less than city cost for police, fire and transit services. (See Table 14.) University payment for water and sewer usually is equal to city expense, and in a few cases exceeds it.

Unfortunately for both the form-of-payment and share-of-cost questions, difficulties with data from the survey tallies prevented population breakdowns for responses.

Past university community surveys asked city respondents to indicate whether or not universities were paying their fair share of costs for city services. In 1984, a fair share of costs was reported for police and fire from about 40 percent of the respondents. Universities won fair share ratings from 97 percent of the respondents for water and 92 percent for sewer.

TABLE 14

UNIVERSITY OR COLLEGE PAYMENT AS SHARE OF CITY COSTS FOR SERVICE
For Cities of All Sizes.

	Less Than City Expense	More Than City Expense	Equal to City Expense	Total Providing Service and Indicating Share of Costs
Police	86%	3%	11%	37
Fire	86%	2%	13%	56
Water	9%	9%	82%	57
Sewer	7%	8%	85%	60
Refuse	13%	0%	87%	23
Hazardous Waste Disposal	50%	0%	50%	2
Electric	0%	14%	86%	14
Transit	86%	0%	14%	21

V. MUNICIPAL REVENUES

University communities, like other cities, depend on a range of sources for municipal revenues. The survey questionnaire included a list of ten revenue sources and requested that respondents estimate these revenue sources as a percent of the funding for the municipal operating budget. Ten percent increments were suggested for responses. Analysis derived from this question indicates whether or not the responding cities depend on these sources.

Almost all responding cities (95 percent) reported use of property taxes, and about three in four (76 percent) noted revenues from utilities. (See Table 15.) A majority of the respondents reported dependence on non-university-related state support and sales taxes. The least common sources of revenue for these cities are cabaret or entertainment taxes, university subvention -- that is subsidy payments from universities or colleges -- and university-related payments from state governments.

Population breakdowns for municipal revenue sources uncover a number of differences. For university subvention, the share of cities with populations of 25,000 or less receiving such payments -- three of eight, or 38 percent -- is higher than the share for other sized cities. No responding city with 100,000 or more residents reported university subvention as a revenue source. University-related state support is more common among responding cities of less than 25,000 and of 25,000-49,999 residents -- two of nine, and four of 17 respectively. And half or more of the less than 25,000 cities and the 50,000-99,999 cities use liquor taxes.

Table 16-A shows the estimates of these revenue sources as a share of the municipal operating budget. Remember that 10 percent increments were suggested for the responses. The percentages are not additive because of rounding for estimates and incomplete accounting in survey responses.

TABLE 15

LOCAL REVENUE SOURCES FOR OPERATING BUDGET

	Cities, All Sizes, Reporting Use of Source	Cities Less Than 25,000 Reporting Use of Source	Cities 25,000-49,999 Reporting Use of Source	Cities 50,000-99,999 Reporting Use of Source	Cities 100,000 or More Reporting Use of Source
Property Tax	95%	94%	100%	100%	87%
Sales Tax	63%	62%	67%	52%	71%
Wage or Income Tax	19%	36%	11%	10%	25%
Liquor Tax	29%	58%	22%	50%	4%
Cabaret or Entertainment Tax	9%	40%	0%	6%	4%
Utilities	76%	90%	76%	72%	74%
University Subvention	11%	38%	12%	13%	0%
University-related State Supplement	15%	22%	24%	18%	4%
Other State Support	70%	69%	76%	56%	74%
Federal Support	42%	30%	40%	53%	41%
Other	86%	80%	93%	83%	87%

TABLE 16-A

APPROXIMATE PERCENTAGE OF OPERATING BUDGET DERIVED FROM INDIVIDUAL REVENUE SOURCES For Cities of All Sizes

	Percent Citing Source for Less Than 10% of Revenue	10%	20%	30%	40%	50%	60%	70%	More Than 80%	No Revenue From Source	Total Responding
Property Tax	8%	23%	17%	18%	14%	8%	4%	1%	3%	5%	78
Sales Tax	5%	13%	21%	13%	4%	4%	0%	3%	0%	37%	76
Wage or Income Tax	3%	4%	4%	4%	1%	1%	0%	1%	0%	81%	73
Liquor Tax	22%	7%	0%	0%	0%	0%	0%	0%	0%	71%	72
Cabaret or Entertainment Tax	3%	3%	1%	0%	1%	0%	0%	0%	0%	91%	68
Utilities	7%	29%	18%	4%	9%	4%	1%	1%	1%	24%	68
University Subvention	10%	2%	0%	0%	0%	0%	0%	0%	0%	89%	63
University-related State Supplement	12%	2%	2%	0%	0%	0%	0%	0%	0%	85%	66
Other State Support	20%	25%	17%	3%	1%	3%	0%	0%	0%	30%	69
Federal Support	19%	18%	3%	0%	2%	0%	0%	0%	0%	58%	62
Other	8%	27%	27%	12%	5%	3%	3%	2%	0%	14%	66

Property taxes were estimated to account for more than 50 percent of the municipal operating budget for 19 percent of the responding cities of less than 25,000, 6 percent of cities 25,000-49,999, 25 percent of cities 50,000-99,999, and 12 percent of cities of 100,000 or more. (See Tables 16-B through 16-E.) University subvention accounted for approximately 10 percent or less of the operating budget for all cities reporting it as a source. University-related state support was estimated to account for less than 10 percent of the operating budget for respondents in all population categories save 25,000-49,999. In this group, one of 17 respondents cited university-related state support for approximately 20 percent of the operating budget and another respondent marked it down for approximately 10 percent.

TABLE 16-B

APPROXIMATE PERCENTAGE OF OPERATING BUDGET DERIVED FROM INDIVIDUAL REVENUE SOURCES
For Cities with Populations of Less Than 25,000

	Percent Citing Source for Less Than 10% of Revenue	10%	20%	30%	40%	50%	60%	70%	More Than 80%	No Revenue From Source	Total Responding
Property Tax	6%	13%	25%	25%	6%	13%	0%	6%	0%	6%	16
Sales Tax	0%	15%	23%	23%	0%	0%	0%	0%	0%	38%	13
Wage or Income Tax	9%	0%	9%	18%	0%	0%	0%	0%	0%	64%	11
Liquor Tax	42%	17%	0%	0%	0%	0%	0%	0%	0%	42%	12
Cabaret or Entertainment Tax	20%	10%	10%	0%	0%	0%	0%	0%	0%	60%	10
Utilities	10%	20%	20%	10%	10%	20%	0%	0%	0%	10%	10
University Subvention	25%	13%	0%	0%	0%	0%	0%	0%	0%	63%	8
University-related State Supplement	22%	0%	0%	0%	0%	0%	0%	0%	0%	78%	9
Other State Support	31%	31%	0%	0%	0%	8%	0%	0%	0%	31%	13
Federal Support	20%	10%	0%	0%	0%	0%	0%	0%	0%	70%	10
Other	10%	30%	20%	0%	10%	0%	0%	10%	0%	20%	10

TABLE 16-C

APPROXIMATE PERCENTAGE OF OPERATING BUDGET DERIVED FROM INDIVIDUAL REVENUE SOURCES
For Cities with Populations of 25,000-49,999

	Percent Citing Source for Less Than 10% of Revenue	10%	20%	30%	40%	50%	60%	70%	More Than 80%	No Revenue From Source	Total Responding
Property Tax	11%	33%	22%	17%	11%	6%	0%	0%	0%	0%	18
Sales Tax	11%	22%	17%	17%	0%	0%	0%	0%	0%	33%	18
Wage or Income Tax	0%	0%	0%	6%	6%	0%	0%	0%	0%	89%	18
Liquor Tax	22%	0%	0%	0%	0%	0%	0%	0%	0%	78%	18
Cabaret or Entertainment Tax	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	18
Utilities	0%	24%	18%	6%	18%	6%	6%	0%	0%	24%	17
University Subvention	12%	0%	0%	0%	0%	0%	0%	0%	0%	88%	17
University-related State Supplement	12%	6%	6%	0%	0%	0%	0%	0%	0%	76%	17
Other State Support	24%	24%	24%	6%	0%	0%	0%	0%	0%	24%	17
Federal Support	13%	20%	7%	0%	0%	0%	0%	0%	0%	60%	15
Other	7%	33%	27%	13%	0%	7%	7%	0%	0%	7%	15

TABLE 16-D

APPROXIMATE PERCENTAGE OF OPERATING BUDGET DERIVED FROM INDIVIDUAL REVENUE SOURCES
For Cities with Populations of 50,000-99,999

	Percent Citing Source for Less Than 10% of Revenue	10%	20%	30%	40%	50%	60%	70%	More Than 80%	No Revenue From Source	Total Responding
Property Tax	5%	14%	14%	19%	24%	10%	10%	0%	5%	0%	21
Sales Tax	0%	5%	24%	0%	14%	10%	0%	0%	0%	48%	21
Wage or Income Tax	0%	10%	0%	0%	0%	0%	0%	0%	0%	90%	20
Liquor Tax	39%	11%	0%	0%	0%	0%	0%	0%	0%	50%	18
Cabaret or Entertainment Tax	0%	0%	0%	0%	6%	0%	0%	0%	0%	94%	16
Utilities	17%	28%	17%	0%	6%	0%	0%	6%	0%	28%	18
University Subvention	13%	0%	0%	0%	0%	0%	0%	0%	0%	87%	15
University-related State Supplement	18%	0%	0%	0%	0%	0%	0%	0%	0%	82%	17
Other State Support	19%	19%	13%	0%	0%	6%	0%	0%	0%	44%	16
Federal Support	33%	13%	0%	0%	7%	0%	0%	0%	0%	47%	15
Other	6%	22%	22%	22%	0%	6%	6%	0%	0%	17%	18

TABLE 16-E

APPROXIMATE PERCENTAGE OF OPERATING BUDGET DERIVED FROM INDIVIDUAL REVENUE SOURCES
For Cities with Populations of 100,000 or More

	Percent Citing Source for Less Than 10% of Revenue	10%	20%	30%	40%	50%	60%	70%	More Than 80%	No Revenue From Source	Total Responding
Property Tax	9%	30%	9%	13%	13%	4%	4%	0%	4%	13%	23
Sales Tax	8%	13%	21%	17%	0%	4%	0%	8%	0%	29%	24
Wage or Income Tax	4%	4%	8%	0%	0%	4%	0%	4%	0%	75%	24
Liquor Tax	0%	4%	0%	0%	0%	0%	0%	0%	0%	96%	24
Cabaret or Entertainment Tax	0%	4%	0%	0%	0%	0%	0%	0%	0%	96%	24
Utilities	4%	39%	17%	4%	4%	0%	0%	0%	4%	26%	23
University Subvention	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	23
University-related State Supplement	4%	0%	0%	0%	0%	0%	0%	0%	0%	96%	23
Other State Support	13%	26%	26%	4%	4%	0%	0%	0%	0%	26%	23
Federal Support	14%	23%	5%	0%	0%	0%	0%	0%	0%	59%	22
Other	9%	26%	35%	9%	9%	0%	0%	0%	0%	13%	23

VI. CITY-UNIVERSITY COOPERATION

Universities and colleges serve as important contributors to community life in university cities. Cities and universities have forged partnerships to advance community interests in economic development, education, the environment and other top concerns. In some cities, local governments and universities also work together on the provision of municipal services and on student behavior problems.

The university communities survey questionnaire include a list of 11 topical areas and asked respondents to indicate whether or not the city and university or college cooperated with regard to each of them. The majority of those responding cited cooperation for all but one of the 11 areas -- for energy initiatives, just under half the respondents (48 percent) noted cooperative efforts. (See Table 17-A.)

Cooperation is most common in the areas of police and security, and internships, with 96 percent of the respondents citing cooperation for these two categories. Of the cities responding for the other areas, cooperation with universities occurs among three in four (77 percent) on business assistance efforts, six in seven (86 percent) on other economic development issues, three in four (75 percent) on city planning, about two in three (68 percent) on environmental issues, and three in five (60 percent) on both general adult education and mass transit. With regard to economic development, it is interesting to note that the 1984 university communities survey found that about 60 percent of the responding cities had some joint economic development efforts with universities or colleges, and the 1979 survey found only one city specifically indicating cooperation for economic development.

For survey cities of 25,000 or less, cooperation with universities and colleges is more common on business assistance and other economic development issues (93 percent in both cases.) and less common for mass transit (33 percent.) (See Table 17-B.)

Cooperation for mass transit and environmental issues is somewhat more common among responding cities of 25,000-49,999 (73 and 76 percent, respectively) than among respondents as a whole. (See Table 17-C.) The same holds true for responding cities of 50,000-99,999, with 76 percent citing cooperation for mass transit and 77 percent for environmental issues.

(See Table 17-D.) For the largest cities, only 45 percent cooperate with universities or colleges on mass transit, and about half (52 percent) do on environmental issues. (See Table 17-E.)

TABLE 17-A

AREAS OF CITY-UNIVERSITY COOPERATION FOR CITIES OF ALL SIZES

	Do Cooperate	Do Not Cooperate	Total Responding
Police and Security	96%	4%	80
Mass Transit	60%	40%	67
Business Assistance	77%	23%	73
Other Economic Development Issues	86%	14%	77
City Planning	75%	25%	76
Technology Use	53%	47%	72
Vocational Education	51%	49%	72
General Adult Education	60%	40%	75
Environmental Issues	68%	32%	73
Energy Initiatives	48%	52%	69
Internships	96%	4%	75

TABLE 17-B

AREAS OF CITY-UNIVERSITY COOPERATION FOR CITIES OF LESS THAN 25,000

	Do Cooperate	Do Not Cooperate	Total Responding
Police and Security	100%	0%	15
Mass Transit	33%	67%	9
Business Assistance	93%	7%	14
Other Economic Development Issues	93%	7%	15
City Planning	85%	15%	13
Technology Use	50%	50%	12
Vocational Education	40%	60%	10
General Adult Education	69%	31%	13
Environmental Issues	69%	31%	13
Energy Initiatives	40%	60%	10
Internships	100%	0%	14

TABLE 17-C

AREAS OF CITY-UNIVERSITY COOPERATION FOR CITIES OF 25,000-49,999

	Do Cooperate	Do Not Cooperate	Total Responding
Police and Security	100%	0%	17
Mass Transit	73%	27%	15
Business Assistance	69%	31%	16
Other Economic Development Issues	76%	24%	17
City Planning	71%	29%	17
Technology Use	65%	35%	17
Vocational Education	53%	47%	17
General Adult Education	59%	41%	17
Environmental Issues	76%	24%	17
Energy Initiatives	47%	53%	17
Internships	100%	0%	16

TABLE 17-D

AREAS OF CITY-UNIVERSITY COOPERATION FOR CITIES OF 50,000-99,999

	Do Cooperate	Do Not Cooperate	Total Responding
Police and Security	91%	9%	23
Mass Transit	76%	24%	21
Business Assistance	74%	26%	23
Other Economic Development Issues	91%	9%	23
City Planning	68%	32%	22
Technology Use	45%	55%	22
Vocational Education	52%	48%	23
General Adult Education	57%	43%	23
Environmental Issues	77%	23%	22
Energy Initiatives	50%	50%	22
Internships	86%	14%	21

TABLE 17-E

AREAS OF CITY-UNIVERSITY COOPERATION FOR CITIES OF 100,000 OR MORE

	Do Cooperate	Do Not Cooperate	Total Responding
Police and Security	96%	4%	25
Mass Transit	45%	55%	22
Business Assistance	75%	25%	20
Other Economic Development Issues	82%	18%	22
City Planning	79%	21%	24
Technology Use	52%	48%	21
Vocational Education	55%	45%	22
General Adult Education	59%	41%	22
Environmental Issues	52%	48%	21
Energy Initiatives	50%	50%	20
Internships	100%	0%	24

SPECIFIC JOINT PROJECTS

Seventy-three survey responses described specific successful joint projects between cities and major universities or colleges. The areas of cooperation cited are very broad, ranging from infrastructure to police and fire, and from education to the arts.

Some cities reported joint projects to address the increasingly pressing issue of waste management. College Station, Texas, and Texas A&M have worked together on a study of a joint landfill for future waste needs, and Iowa City, Iowa, and the University of Iowa cooperated on a solid waste study that led the university to build a facility for burning refuse. In Moscow, Idaho, the University of Idaho removes some effluent from the waste water treatment plant and uses it for irrigation, thus reducing the burden on the system. The City of Bowling Green, Ohio, and Bowling Green State University teamed up on the relocation of the city's waste water treatment plant; they also have engaged in joint efforts with other local groups to improve the local airport.

Some cities reported cooperation on emergency services. Champaign, Illinois, and the University of Illinois worked together on emergency dispatching for police, fire and ambulance. Charlottesville, Virginia, and the University of Virginia have a joint dispatch center for emergencies, and they cooperated on the establishment of a central emergency phone number. Charlottesville and the university also have joined together for an alcohol abuse awareness program directed at local bartenders.

In Akron, Ohio, the city and the University of Akron cooperated on the expansion of the campus into downtown. Beaumont, Texas, and Lamar University teamed up to locate the Texas Energy Museum in the downtown there. Other cities reported joint streetscaping and renovation efforts for downtowns and neighborhoods, done in College Park, Maryland, where the University of Maryland is located, and Gainesville, Florida, home of the University of Florida, and elsewhere.

The arts provide a forum for cooperation for the City of East Lansing, Michigan, and Michigan State University. The city and university work together on the Michigan Festival of regional arts performances during late summer. Fairfax, Virginia, and George Mason University cooperate to put together Spotlight on the Arts, an annual festival of music, dance and drama. And Orlando, Florida, and the University of Central Florida have a joint Shakespeare Festival in the works.

Education is another common ground for cities and universities. The city, the school district and the University of Northern Colorado in Greeley, Colorado, cooperate on "The Dream Team," which offers programs designed to prevent high school students from dropping out. City and county schools in Clarksville, Tennessee, get a boost from student teachers enrolled at Austin Peay State University. And in San Marcos, Texas, the city and Southwest Texas State University are engaged in a joint project providing adult education, high-school equivalency educational assistance, and literacy tutoring.

Other communities report joint operation of local parks and athletic facilities, cooperation on surveys of community needs, joint planning efforts, cooperative childhood mental health programs, and team work on city wage and salary classification plans.

ECONOMIC DEVELOPMENT COOPERATION

Economic development ranks among the most important areas for city and university cooperation. The university communities survey requested information about joint economic development initiatives. Fifty-two cities providing specifics in response to this question.

The results indicate that cooperative economic development programs often focus on management and technical assistance for local businesses, usually small ones. In a number of communities, the universities or colleges operate business service centers or small business development centers. Examples of this include Albion College in Albion, Michigan; the University of Georgia in Athens, Georgia; and Midwestern State University in Wichita Falls, Texas.

A number of survey responses cited joint efforts to promote new business creation through university-based small business incubators, which provide affordable rent and business services to tenants. Several others mentioned cooperative programs to assist existing industrial businesses with new technology and product development.

Research parks, or industrial parks for research-intensive businesses, won mention from many of the survey respondents. Research park efforts were just starting up in a number of survey cities at the time the questionnaire was completed. In several of these cases, the city was providing infrastructure for the development. The City of Manhattan, Kansas, and Kansas State University are working with other local governments and groups to develop a mixed-use research park that will incorporate a variety of commercial functions. Research parks already had been established in other communities, including Evanston, Illinois, where Northwestern University is located, and Tempe, Arizona, home of Arizona State University.

Universities provide data analysis and projections on key economic indicators to a number of cities, including Greensboro, North Carolina, where the University of North Carolina at Greensboro is located, and Mankato, Minnesota, home of Mankato State University.

In Davis, California, the city and the University of California-Davis are involved in a commercial development that will include a hotel conference facility. In Champaign, the University of Illinois operates an office that coordinates economic development activities with the city, and encourages university spin-off businesses and joint university-private business ventures. The list goes on, indicating significant joint economic development activity in university communities.

MASS TRANSIT COOPERATION

Thirty-two survey cities listed examples of city-university cooperation for mass transit in response to an open-ended question on this topic. The responses demonstrate that mass transit initiatives generally concern bus service and take many forms, including joint operation of services, university funding for system operations, cooperative planning and coordination of service routes, and shuttle service for students, and special bus service during university events.

In Davis, the University of California owns the bus system and employs students to operate it. In another city, the university collects a set fee per year from students to help support the city-provided bus service, which then charges no fare for students who take a ride. In College Station, mass transit cooperation has been established for operation of the local airport, which is owned by Texas A&M with the city and county contributing to the costs.

UNREALIZED POTENTIAL FOR CITY-UNIVERSITY COOPERATION

Survey respondents identified areas of unrealized potential for city and university or college cooperation. Responses from 62 cities to this fill-in-the blank question were grouped into categories for analysis. The results show economic development as the leading area of unrealized potential for joint efforts. Economic development received mention from 35 respondents, who cited such issues as university research parks, convention centers, community promotion, new business development, neighborhood development, technology transfer and economic development studies.

Other frequently mentioned areas of potential included infrastructure issues (13), including parking facilities, streets and airports; utilities and services (12), including mass transit and waste management; education and training (12), community services (11), including libraries, data services, child care and recreational programming; and housing. Other areas receiving multiple mention were research efforts, police issues, cultural activities, planning, municipal administration, municipal regulation and zoning, student enrollments, and student behavior concerns.

The survey also asked for identification of the obstacles to city and university cooperation. Resource constraints, especially financing and funding, were cited most frequently (29 times). Other obstacles mentioned regularly included communication and cooperation failures (16), conflicting city and university goals and commitments (14), jurisdictional disputes involving state universities and local governments (7), and control and turf conflicts (5).

VII. UNIVERSITY- AND STUDENT-RELATED PROBLEMS

University communities recognize their institutions of higher education as important local resources and enjoy favorable relations with them, by and large. Nevertheless, the presence of universities and colleges creates problems for cities and their residents. Specific information about these problems, and steps for alleviating them, can be drawn responses to the university communities survey.

The survey asked respondents to write out the three most important university-related problems for the city. Answers were grouped by topic for data analysis. Survey respondents mentioned traffic and parking concerns most frequently (39 times). Parking space shortages, traffic congestion, violations of parking and traffic regulations, and street upkeep are among the most difficult university-related issues facing local governments.

Housing received mention as a top university-related problem 27 times. Survey respondents cited the impact of off-campus student housing on neighborhoods, the inadequate conditions of student housing, housing code enforcement problems, and overcrowding.

Issues relating to tax exemptions and city services rated high on the list of problem areas, with mention from 21 respondents. Nine of the respondents singled out as a problem the tax-exempt status of university and college land. Other respondents cited the impact of universities on demand for city services, sometimes mentioning a lack of compensation from the institutions of higher education.

Student behavior issues, mentioned 17 times, ranked fourth among problem topics offered. Parties, alcohol-related incidents, noise, trash and law violations were among the specific problems cited.

Relations between residents and students, and universities and the community, were listed as top problems for 11 cities. University communities also reported problems with land-use, planning and university expansion. Nine complained of university expansions creating conflicts, and another six cited related issues.

Universities were reported to create no problems at all for three communities -- Clarksville, home of Austin Peay State College; Johnson City, Tennessee, home of East Tennessee State University; and Little Rock, Arkansas, home of the University of Arkansas-Little Rock.

PROBLEMS CAUSED BY STUDENTS

The survey questionnaire included a list of four issues --drinking, drug use, parking and housing -- and asked respondents to indicate if university students create special problems for their communities in any of these areas. Parking received the most affirmative responses, followed by housing. As noted above, respondents mentioned these two issue areas most frequently in answer to an open-ended question about more general university-related problems.

Parking was cited as a problem by 75 percent of the respondents, and housing by 64 percent. (See Table 18-A.) Drinking rated as a student-related problem for 63 percent of the responding cities. Drug use was identified as a problem by 46 percent of the communities.

Among the cities responding to the 1984 university communities survey, 74 percent identified student drinking as a problem, 67 percent noted parking as one, 55 percent housing enforcement and 34 percent drugs. Sample size for the 1988 and 1984 surveys, as well as changes in the specific cities responding, limits strict comparisons between these results.

A breakdown of the data by city size shows that university communities with populations of 25,000 or less cite drinking as the top student-related problem, winning an affirmative response from 71 percent of the respondents. (See Table 18-B.)

All cities 25,000-49,999 reported parking problems, and all four issues were cited as a problem by a greater share of cities this size than for any other population category. Student-related housing problems are felt among 88 percent of these cities and drinking among 81 percent. (See Table 18-C.)

Parking rates as a significant problem for cities with populations of 50,000-99,999, with 81 percent citing it, but less of one for cities of 100,000 or more, with 57 percent noting it as a difficulty. (See Tables 18-D and 18-E.) The largest cities, as a group, were less likely than cities of other sizes to identified student-related problems in these four areas. Parking was the only issue to be cited as a problem by more than half of the cities with populations of 100,000 or more.

TABLE 18-A

STUDENT-RELATED COMMUNITY PROBLEMS FOR CITIES OF ALL SIZES

	Problems Created	No Problems Created	Total Responding
Drinking	63%	37%	73
Drug Use	46%	54%	63
Parking	75%	25%	72
Housing	64%	36%	73

TABLE 18-B

STUDENT-RELATED COMMUNITY PROBLEMS FOR CITIES OF LESS THAN 25,000

	Problems Created	No Problems Created	Total Responding
Drinking	71%	29%	14
Drug Use	50%	50%	10
Parking	67%	33%	12
Housing	64%	36%	14

TABLE 18-C

STUDENT-RELATED COMMUNITY PROBLEMS FOR CITIES OF 25,000-49,999

	Problems Created	No Problems Created	Total Responding
Drinking	81%	19%	16
Drug Use	53%	47%	15
Parking	100%	0%	16
Housing	88%	13%	16

TABLE 18-D

STUDENT-RELATED COMMUNITY PROBLEMS FOR CITIES OF 50,000-99,999

	Problems Created	No Problems Created	Total Responding
Drinking	68%	32%	22
Drug Use	60%	40%	20
Parking	81%	19%	21
Housing	67%	33%	21

TABLE 18-E

STUDENT-RELATED COMMUNITY PROBLEMS FOR CITIES OF 100,000 OR MORE

	Problems Created	No Problems Created	Total Responding
Drinking	38%	62%	21
Drug Use	22%	78%	18
Parking	57%	43%	23
Housing	45%	55%	22

Many cities added comments with regard to the four student-related problem areas. Parking and housing complaints echoed earlier descriptions provided for the open-ended survey question about university-related problems. As for drinking, cities complained of underage drinking, especially at yard parties, now that the legal drinking age has increased from 18 to 21. Other specific drinking-related issues mentioned include drunk driving, large parties, destruction of property and police-student conflicts.

Many survey respondents also provided information about programs and actions used to address these four student-related problems. On the issue of drinking, cities reported increased alcohol education efforts, stepped-up police patrols, and tougher city regulations. College Park reported that the University of Maryland has instituted sanctions against underage drinkers. Increased drug law enforcement was cited by a number of respondents.

With regard to parking in college and university areas, cities reported using permit parking, instituting special and short-term parking zones, and increasing the level of fines and enforcement. Housing comments focused on changes in city housing codes, increased code enforcement, and routine inspection programs, sometimes done in cooperation with the university or its housing office.

Some university communities use density regulations to address student housing problems. A separate survey question asked respondents whether or not their cities have regulations to control the number of students living together in single-family housing units. About three-fourths (74 percent) of all those responding indicated that such regulations were on the books. (See Table 19.) These density regulations are most common among survey cities with populations of 50,000-99,000, and least common among cities of 100,000 or more. Most cities (73 percent) with student density regulations reported that they are enforced.

TABLE 19

REGULATIONS TO CONTROL NUMBER OF STUDENTS LIVING TOGETHER IN SINGLE-FAMILY HOUSING

	Percent with Regulations	Percent without Regulations	Total Responding	Percent Enforcing Their Regulations	Percent Not Enforcing Their Regulations	Percent Uncertain about Enforcement
All Cities	74%	26%	80	73%	8%	19%
Cities with Populations of Less than 25,000	73%	27%	15	82%	9%	9%
Cities with Populations of 25,000-49,999	72%	28%	18	85%	8%	8%
Cities with Populations of 50,000-99,999	82%	18%	22	78%	6%	17%
Cities with Populations of 100,000 or More	68%	32%	25	53%	12%	35%

Another survey question asked respondents to identify any university-related city problems that the state government recognizes through special programs, financial support, tax rebates or other means. Nine cities provided specific information, and most of it dealt with city services. For example, Ann Arbor, Michigan, reported that the state reimburses the city for about one-third the city's cost of providing fire protection to the University of Michigan and other state buildings. Bowling Green; Oshkosh, Wisconsin; Chapel Hill, North Carolina; and San Luis Obispo, California, also receive some state funds for municipal services.

VIII. FORMAL CITY-UNIVERSITY ORGANIZATIONS

In some university communities, formal, joint city-university bodies have been established to address both issues and opportunities that a university presence creates. Such organizations exist in 42 percent of the cities that responded to a question about them. (See Table 20.) Formal groups are most common among cities of 25,000-49,999 (56 percent) and of less than 25,000 (47 percent). City-university bodies exist in about one third of the cities with populations of 50,000-99,999 (36 percent) and of 100,000 or more (35 percent).

Descriptions of these organizations indicate that some address specific topics, notably economic development, planning, housing, and infrastructure needs. Most, however, provide a forum for all issues of concern to both the community and the university. Many involve participants from the private sector and other levels of government. Many responses noted that top officials from both the city and the university or college are involved.

Survey results seem to indicate that a formal, joint organization may have a positive affect city-university relations, although it is difficult to draw solid conclusions from the data. A comparison of responses to several survey question shows that of those with formal, joint city-university bodies, relations are reported as fair by 6 percent, good by 53 percent and very good by 38 percent. Of those without formal organizations, relations are rated as fair by 20.5 percent, good by 43 percent and very good by 36 percent. One city with an city-university organization, and none without, listed relations as poor.

TABLE 20

FORMAL, JOINT CITY-UNIVERSITY ORGANIZATIONS

	Formal Body	No Formal Body	Total Responding
All Cities	42%	58%	76
Cities with Populations of Less than 25,000	47%	53%	15
Cities with Populations of 25,000-49,999	56%	44%	16
Cities with Populations of 50,000-99,999	36%	64%	22
Cities with Populations of 100,000 or More	35%	65%	23

Percentages based on number of cities responding.
Percentages rounded to nearest full point.

APPENDIX

CITIES RESPONDING TO THE 1988 UNIVERSITY COMMUNITIES SURVEY

Cities of Less Than 25,000	**Major Universitiesand Colleges**
Aiken, South Carolina	University of South Carolina-Aiken
Albion, Michigan	Albion College*
Athens, Ohio	Ohio University
Boone, North Carolina	Appalachian State University
Brookings, South Dakota	South Dakota State University
College Park, Maryland	University of Maryland-College Park
Durango, Colorado	Fort Lewis College
Fairfax, Virginia	George Mason University
Hays, Kansas	Fort Hays State University
Kearney, Nebraska	Kearney State College
Kirksville, Missouri	Northeast Missouri State University
Morris, Minnesota	University of Minnesota-Morris
Moscow, Idaho	University of Idaho
Northfield, Minnesota	St. Olaf College* Carlton College*
Princeton, New Jersey	Princeton University
Pulaski, Tennessee	Martin Methodist College*

Cities of 25,000-49,999	**Major Universities and Colleges**
Ames, Iowa	Iowa State University
Augusta, Georgia	Augusta College
Bowling Green, Ohio	Bowling Green State University
Chapel Hill, North Carolina	University of North Carolina-Chapel Hill
Charlottesville, Virginia	University of Virginia
Claremont, California	Claremont Colleges*
Davis, California	University of California-Davis

Holland, Michigan	Hope College*
Laramie, Wyoming	University of Wyoming
Manhattan, Kansas	Kansas State University
Mankato, Minnesota	Mankato State University
New Brunswick, New Jersey	Rutgers University
Newark, Delaware	University of Delaware
Prescott, Arizona	Embry Riddle University*
St. Cloud, Minnesota	St. Cloud State University
San Luis Obispo, California	California Polytechnic State University
San Marcos, Texas	Southwest Texas State University
State College, Pennsylvania	Pennsylvania State University

Cities of 50,000-99,999	**Major Universities and Colleges**
Athens, Georgia	University of Georgia
Bloomington, Indiana	Indiana University
Cambridge, Massachusetts	Harvard University*
	Massachusetts Institute of Technology*
Champaign, Illinois	University of Illinois
Clarksville, Tennessee	Austin Peay State University
College Station, Texas	Texas A&M University
Denton, Texas	University of North Texas
	Texas Woman's University
East Lansing, Michigan	Michigan State University
Eau Claire, Wisconsin	University of Wisconsin-Eau Claire
Evanston, Illinois	Northwestern University*
Fort Collins, Colorado	Colorado State University
Gainesville, Florida	University of Florida
Greeley, Colorado	University of Northern Colorado
Greenville, South Carolina	Jones University*
Iowa City, Iowa	University of Iowa
Johnson City, Tennessee	East Tennessee State University
Lawrence, Kansas	University of Kansas
Muncie, Indiana	Ball State University
Oshkosh, Wisconsin	University of Wisconsin-Oshkosh
Palo Alto, California	Stanford University*
Portland, Maine	University of Southern Maine
West Lafayette, Indiana	Purdue University
Wichita Falls, Texas	Midwestern State University

Cities of 100,000 or More	**Major Universities and Colleges**
Abilene, Texas	Abilene Christian University*
	Hardin-Simmons University*
	McMurry College*

Akron, Ohio	University of Akron
Albuquerque, New Mexico	University of New Mexico
Ann Arbor, Michigan	University of Michigan
Beaumont, Texas	Lamar University
Berkeley, California	University of California-Berkeley
Columbus, Ohio	Ohio State University
Dayton, Ohio	University of Dayton*
Fort Worth, Texas	Texas Christian University*
Greensboro, North Carolina	University of Greensboro North Carolina A&T State University
Indianapolis, Indiana	Indiana University/Purdue University of Indianapolis
Kansas City, Missouri	University of Missouri-Kansas City
Lansing, Michigan	Michigan State University Lansing Community College
Little Rock, Arkansas	University of Arkansas-Little Rock
New Haven, Connecticut	Yale University* Southern Connecticut State University
Newport News, Virginia	Christopher Newport College
Orlando, Florida	University of Central Florida
Rochester, New York	University of Rochester*
St. Paul, Minnesota	Nine institutions of higher education*
San Bernardino, California	California State University-San Bernardino
Shreveport, Louisiana	Louisiana State University-Shreveport
Syracuse, New York	Syracuse University*
Tallahassee, Florida	Florida State University Florida A&M University
Tempe, Arizona	Arizona State University
Tulsa, Oklahoma	University of Tulsa* Oral Roberts University*

* Private institutions

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The National League of Cities was established in 1924 by and for reform-minded state municipal leagues. It now represents 49 leagues and more than 1,300 cities directly and, through the membership of the state municipal leagues, more than 16,000 cities indirectly.

NLC serves as an advocate for its members in Washington in the legislative, administrative, and judicial processes that affect them; develops and pursues a national urban policy that meets the present and future needs of our nation's cities and the people who live in them; offers training, technical assistance and information to municipal officials to help them improve the quality of local government in our urban nation; and undertakes research and analysis on topics and issues of importance to the nation's cities.

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Research
Report
on America's
Cities

CITY FISCAL CONDITIONS IN 1989

One of a series of Research Reports
on major empirical studies of conditions
and policies in America's municipalities.

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CITY FISCAL CONDITIONS IN 1989

By

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National League of Cities

July 1989

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Cities Responding to 1989 Fiscal Conditions Survey

PREFACE

This report, the National League of Cities' seventh annual report on city fiscal conditions, presents the results of a survey sent to city budget officials during May 1989. It is one of a series of reports published by NLC focusing on trends and issues affecting American cities and towns.

Changes in city budgets and the actions taken by city officials to produce them are the subject of this report.

The report was prepared by NLC's Office of Policy Analysis and Development. Douglas Peterson, Senior Policy Analyst, was responsible for developing the survey instrument, analyzing the results and preparing this report.

It is our hope that the publication of this report and discussions resulting from it will contribute to a better understanding of the challenges facing American cities. It is our further hope that the report will contribute to policy-making that will invest in the cities and the more than 60 percent of America's citizens who live in them.

Alan Beals	William E. Davis III
Executive Director	Director, Office of Policy
National League of Cities	Analysis and Development

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I would like to recognize first and foremost the more than 360 municipal finance and budget officials who completed the survey questionnaire that is the foundation for this report. The preparation of this report would be impossible without their prompt and conscientious participation in the survey.

Too, I would like to thank William Davis, Director of NLC's Office of Policy Analysis and Development and William Barnes, NLC's Research Director for their continuing encouragement.

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EXECUTIVE SUMMARY

CITY FISCAL CONDITIONS IN 1989

by Douglas D. Peterson
National League of Cities

July 1989

In many American cities, local government revenues are declining, or growing slowly, as the need for spending increases. These two trends force an increasing proportion of cities to draw down their beginning balances in order to balance their budgets. The spending of beginning balances reduces the cities' capacity to respond to economic changes and emergency situations.

- More than half (57 percent) of American cities report that their revenue growth is not keeping pace with the rate of inflation. Nearly one-fourth (23 percent) report that their revenue is declining even in nominal terms.
- Half of the cities report that expenditures outpaced revenues in 1989, causing them to draw down their beginning balances in order to produce balanced operating budgets as required by law.
- Cities in the Northeast fared the worst in key budget indicators.

  Nearly one-fourth (23 percent) of the northeastern cities report a revenue decline in 1989, compared to only 4 percent reporting a revenue decline in 1988. This represents a 475 percent increase.

  The same proportion (23 percent) of the northeastern cities report lower spending in 1989, compared to 8 percent reporting lowered spending in 1988. This is a 188 percent increase.

- The largest cities, those over 300,000 in population, report that they have reduced services at more than three times the rate for all cities. One-fourth of the largest cities report service reductions during the past year compared to only 7 percent of all cities.
- The revenue-expenditure imbalance index, a measure of the extent of the imbalance between revenue and expenditures, shows a deterioration in 1989. Only 8 percent of the cities had an index worse than -5 in 1988; almost twice as many, 15 percent, report this for 1989.

While revenue growth has lagged behind inflation, cities are pressed to respond to a series of unmet needs. The most important community problems, as reported by elected municipal officials in a previous NLC survey, were drugs, solid waste disposal, crime, and a series of housing concerns (affordability of house prices, affordability of rental housing, availability of low income housing, homelessness, and local mortgage conditions). All these, plus infrastructure needs, pressure city governments to spend money.

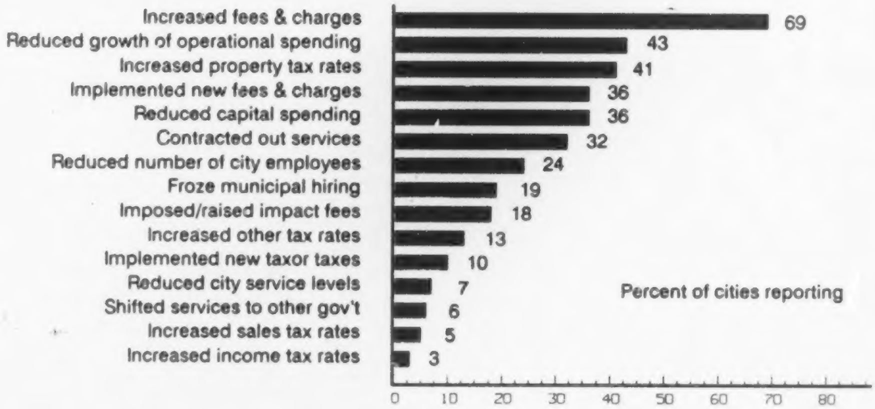
Hard Decisions

City officials have relied on active budget management to balance their operating budgets in this challenging time.

While cities are required to balance operating budgets, budgets do not automatically balance themselves. There is not automatic pilot or cruise control that can deliver a budget in which resources (beginning balances and revenues) finance all expenditures. The simple fact is that in the budget climate of the past year city officials have had to make a lot of hard decisions.

City officials have employed a variety of budget actions in the past year.

Budget Actions Reported by Cities –1989



Making the decisions to take those measures and others like them is not an easy task.

When fees and charges are increased, mayors and councilmembers hear about it from city residents. People are sensitive to their bills for water, sewer, and trash disposal services and the costs of enrolling their children in recreation programs. Home builders and other contractors make their feelings known about increased charges for building permit fees and inspection charges. Despite these reactions, in 69 percent of the cities, decisions were made during the last year to increase fees, and in 36 percent to initiate new fees or charges.

Property tax increases are never popular and frequently stir up intense community debates. Yet in 41 percent of the cities property tax rates increased during the past year.

Officials of these cities also made tough decisions about spending. In 43 percent of the cities, the growth of operating spending was reduced, and in 36 percent capital spending was cut. These actions have political implications as residents press for new and increased services and observe the effects of deferred capital spending.

The Future

City officials continue to cope with budget pressures in the face of lessened financial capacity, but many communities need state authorization to use more responsive taxes and other revenue measures that will better reflect inflation. On the expenditure side of the budget, federal and state officials need to recognize the financial impact of mandated programs on municipal budgets and to provide funding to accompany these programs.

I. INTRODUCTION

This study reports on the seventh annual survey of city fiscal conditions of America's cities conducted by the National League of Cities.

The League conducts this survey as part of its continuing research and information program for America's municipalities.

While a complete analysis of an individual city's fiscal health involves an examination of a host of factors beyond the scope of this survey, it is hoped that this report, based on responses by a cross section of American cities, can establish a baseline for further individual analyses.

The responses of more than 360 cities have enabled preparation of a report with representation from across the country.

This report does not attempt to aggregate the municipal financial experience; it attempts, rather, to demonstrate its variations. If the financial transactions of all cities in this report were simply to be added up, the result would be a homogenization in which the variety of the municipal fiscal landscape would be lost.

The report provides information on a variety of city financial indicators, including:

- trends in general fund revenues, expenditures, and balances
- trends in municipal hiring
- budget adjustments made by cities in the last year and the factors influencing those adjustments

All of the indicators presented here are considered important, but they are all of a narrow accounting nature. They look only at taxes levied, money spent, and financial balances. A more complete picture of city fiscal conditions requires indicators of comparable strength that measure service deficits and surpluses – that is, indexes of the services that residents receive and deserve. This report does not provide these equally important measures, but it is hoped that it provides some useful trend data that can assist in individual community assessments and contribute to national and state policy discussions about government policies that invest in the future of America's cities and towns.

Why Are Cities Important?

The more than 19,000 government units in the United States classified by the U.S. Census as municipalities are home to more than 60 percent of the U.S. population. These municipalities may be formally known as cities, towns, or villages, but they share an important common function – the delivery of services to their residents.

America's municipalities are a diverse group, ranging from New York City – with a population larger than that of all but nine states, a municipal work force larger than the total population of all but 33 American cities, and a spending budget that accounts for 18 percent of all the money spent by U.S. municipalities – to the smallest incorporated places with populations of fewer than 50 people that provide virtually all their services through the use of volunteers.

Cities are also a significant part of the American governmental financial system. They are responsible for 9 percent of all governmental spending, levy 6 percent of all taxes, employ 15 percent of all civilian government employees, and are responsible for 6 percent of all outstanding governmental debt.

The purpose of this report is to indicate where cities have been, fiscally speaking, in the recent past and what they face in fiscal 1989.

How the Survey was Done and Which Cities Responded

In May, 1989, a city fiscal conditions questionnaire was sent to 828 American cities and towns by NLC's Office of Policy Analysis and Development. The questionnaire asked for a three-year history of a number of items:

- Summary of General Fund transactions
- Municipal personnel
- Budget adjustments made in the last year.

More than 360 cities returned the survey document in time to be included in tabulations reported in the balance of this document. Table I-2 reports the distribution of the

Table I-1
Cities Surveyed by City Size

City Population Size	Total Number of Cities in This Class	Number of Surveys Sent	Number Returned	Percent Response
300,000 and over	51	51	36	71
100,000 to 299,999	132	132	77	58
50,000 to 99,999	285	285	116	41
10,000 to 49,999	1,864	360	133	37
Total	2,332	828	362	44

responding cities by population size and state. A complete list of the responding cities is included in the Appendix.

The population size of the responding cities ranged from communities just over 10,000 population to New York City with a population of 7,262,750.

Table I-3
Responding Cities by Region and Population Size

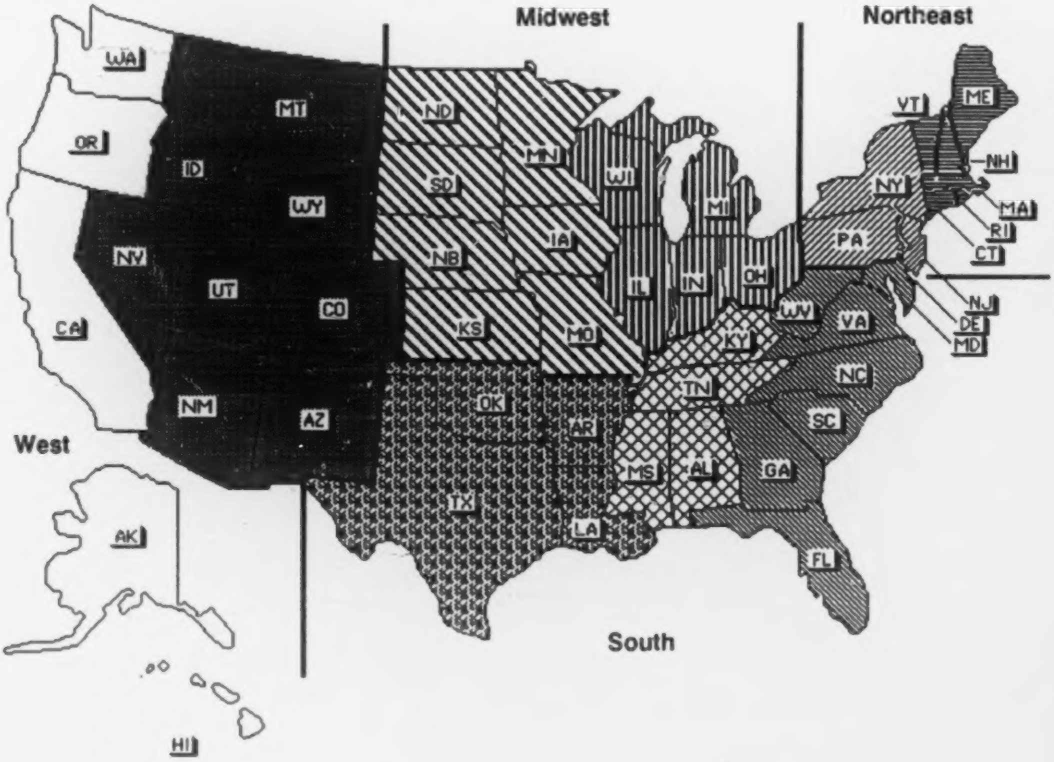
	Total	Over 300,000	100,000 to 299,999	50,000 to 99,999	10,000 to 49,999
Northeast	55	5	5	22	23
Midwest	117	11	16	41	49
South	99	9	31	24	35
West	91	11	25	29	26
Total	362	36	77	116	133

Table I-3 shows the regional distribution of the respondents. The regions are as defined by U.S. Census Bureau.

The composition of these four regions and their component divisions is shown in Table I-4.

Table I-2
1989 NLC Financial Survey Cities Tabulated by State and Population Size

States	10,000 to 49,999	50,000 to 99,999	100,000 to 299,999	over 300,000	Total
Alabama	0	0	1	0	1
Alaska	2	0	1	0	1
Arizona	0	0	4	2	6
Arkansas	0	1	1	0	2
California	12	19	15	5	51
Colorado	0	4	2	1	7
Connecticut	3	6	2	0	11
Delaware	1	1	0	0	2
District Of Columbia	0	0	0	1	1
Florida	3	7	5	1	16
Georgia	2	1	1	1	5
Hawaii	0	0	0	1	1
Idaho	1	0	0	0	1
Illinois	14	9	1	1	25
Indiana	5	4	3	0	12
Iowa	3	4	2	0	9
Kansas	1	1	3	0	5
Kentucky	2	1	2	0	5
Louisiana	1	2	1	1	5
Maine	1	1	0	0	2
Maryland	1	0	0	0	1
Massachusetts	2	3	0	1	6
Michigan	4	8	3	1	16
Minnesota	5	0	1	1	7
Mississippi	1	0	1	0	2
Missouri	4	2	1	1	8
Montana	2	0	0	0	2
Nebraska	0	0	1	1	2
Nevada	0	1	1	0	2
New Hampshire	3	2	0	0	5
New Jersey	5	3	0	0	8
New Mexico	1	0	0	1	2
New York	6	0	1	2	9
North Carolina	4	2	4	0	8
North Dakota	0	1	0	0	1
Ohio	9	7	1	5	22
Oklahoma	4	1	0	0	5
Oregon	4	0	1	1	6
Pennsylvania	2	7	2	2	13
Rhode Island	1	0	0	0	1
South Carolina	2	1	1	0	4
South Dakota	1	0	0	0	1
Tennessee	0	0	1	1	2
Texas	10	6	10	3	29
Utah	0	4	0	0	4
Vermont	0	0	0	0	0
Virginia	2	0	3	1	6
Washington	3	1	1	0	5
West Virginia	2	1	0	0	3
Wisconsin	3	5	0	1	9
Wyoming	1	0	0	0	1
Totals	133	116	77	36	362


Midwest
Northeast
WA
OR
CA
MT
ID
WY
NY
UT
CO
NM
AZ
ND
SD
NB
KS
MN
IA
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WI
MI
IL
IN
OH
KY
TN
MS
AL
OK
TX
AR
LA
VT
ME
NH
MA
RI
CT
NY
PA
NJ
DE
MD
WV
VA
NC
SC
GA
FL
West
AK
HI
South

Table I-4
Regions and Divisions

- **Northeast**
  - **New England**
    - Connecticut
    - Maine
    - Massachusetts
    - New Hampshire
    - Rhode Island
    - Vermont
  - **Mid-Atlantic**
    - New Jersey
    - New York
    - Pennsylvania
- **Midwest**
  - **East North Central**
    - Illinois
    - Indiana
    - Michigan
    - Ohio
    - Wisconsin
  - **West North Central**
    - Iowa
    - Kansas
    - Minnesota
    - Missouri
    - Nebraska
    - North Dakota
    - South Dakota
- **South**
  - **South Atlantic**
    - Delaware
    - District of Columbia
    - Florida
    - Georgia
    - Maryland
    - North Carolina
    - South Carolina
    - Virginia
    - West Virginia
  - **East South Central**
    - Alabama
    - Kentucky
    - Mississippi
    - Tennessee
  - **West South Central**
    - Arkansas
    - Louisiana
    - Oklahoma
    - Texas
- **West**
  - **Mountain**
    - Arizona
    - Colorado
    - Idaho
    - Montana
    - Nevada
    - New Mexico
    - Utah
    - Wyoming
  - **Pacific**
    - Alaska
    - California
    - Hawaii
    - Oregon
    - Washington

II. THE GENERAL FUND BUDGET

The survey asked the respondents, municipal finance or budget officials, for a three-year history of their city's general fund budget, in order to provide an indication of municipal budget trends. Where actual 1989 figures were not yet available, the respondents were asked to provide budgeted or projected figures.

There were two important reasons for selecting the general fund as the focus of this report.

- First, as the International City Management Association points out in *Management Policies in Local Goverment Finance, "The general fund is normally the most important fund of a municipality. It accounts for all resources not otherwise devoted to specific activities and finances many of the basic municipal functions ... "* *
- Second, the general fund is frequently a central focus of local budget deliberations, since it usually finances such central municipal functions as police, fire, public works, planning and central administrative departments. It is also the area where state imposed limitations on taxing and spending are often most binding. The general fund however does not include all the expenditures a city makes.

The proportion of a city's spending incorporated in the general fund can show substantial variation depending on: (1) the complexity of a city's accounting system and the dictates of federal or state laws; (2) borrowing requirements imposed by lenders which may require segregation of both loan proceeds and the funds collected to repay the loan (usually municipal bonds) in a separate fund; and (3) the functions a city carries out. In some very small communities all the budgeted expenditures may be accounted for in one general fund, but in most communities, even those of modest size, a number of funds are required. Examples of operations that are frequently set up in funds separate from the general fund, including:

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* International City Management Association, *Management Policies in Local Government Finance*, p. 209.

- Enterprise funds – for example, municipally operated sewer, water, and electric utilities that are established to be self sustaining through customer service charges.
- Debt service funds – set up to receive dedicated revenues used to make principal and interest payments on city debt.
- Trust funds – for example, bequests to be spent only for particular purposes.
- Special revenue funds – such as those set up to account for federal or state grants given to accomplish particular projects.

The general fund was chosen as a focus of this report because of the type of activities it finances – those general operations of the city that do not have special or dedicated revenue sources.

Responding officials were asked to report the portion of total city spending contained in the general fund. As one might expect, the results varied widely. The average percentage of spending contained in the general fund for these cities was 52 percent. The most frequent answer was 60 percent, and there was an equal number of cities in which the figure was more than and less than 50 percent.

The city finance officials were asked to provide four figures for each year.

- Beginning balance: Simply speaking, the beginning balance represents the resources with which the city's general fund begins the year. If the city's general fund were a personal checking account, this would be like the balance carried forward from the previous month.
- Revenues (and transfers in): This is the grand total of all taxes, fees, charges, federal and state grants, and other monies deposited into the general fund. While revenues are generally recurring items, transfers into the general fund also lumped into this item probably are not of a regular recurring nature. These transfers occur when a city brings funds from one of its other specialized funds into the general fund for a variety of reasons.
- Expenditures (and transfers out): This is the total of all spending by the general fund of the city and may include both operating and capital spending. Transfers out of the general fund to other local government funds are also included here.

- Ending balance: These are the resources left in the city's general fund at the end of the year. The ending balance results from this simple equation:

  Beginning Balance + Revenue – Expenditures = Ending Balance

  The ending balance of one year becomes the beginning balance of the next.

The cities were asked to provide the general fund summary figures previously described for each of three years.

- The fiscal year that ended in 1987
- The fiscal year that ended in 1988
- The fiscal year that will end in 1989

The surveys were completed in May and June of 1989, before the June 30 ending date of many city fiscal years. Many of the respondents, therefore, had to use estimated or budget figures for 1989. Actual 1989 figures will probably differ somewhat from those reported here.

Within a state, city fiscal years tend to be uniform; they are often specified by state law. This year's survey did not ask about the dates of fiscal years, but past surveys tell us that about 45 percent of all U.S. cities have fiscal years ending in June, 30 percent have fiscal years ending in December, 15 percent have fiscal years ending in September (like the federal government), with the fiscal years of the rest ending in some other month.

Revenues

This section of the report looks at the rates of growth in general fund revenues in the surveyed cities during two time periods (1) Fiscal year 1987 to 1988 and (2) Fiscal year 1988 to 1989.

One of the most striking things discovered is the variety of city revenue change shown in Table II-1.

Table II-1
General Fund Revenue Change

	Percent of Cities	
	FY 87 to 88	FY 88 to 89
Revenue declined	13	23
Revenue holding constant	1	0
Revenue increasing	86	77
Totals	100	100

Nearly one quarter of the cities expect to see their revenues decline during the 1989 fiscal year, up from 13 percent a year ago. Seventy-seven percent expect to see revenues increase, down from 86 percent in the previous year.

Table II-2
Cities with Declining General Revenue – by Regions

	Percent of Cities	
	FY 87 to 88	FY 88 to 89
All Cities	13	23
Northeast	4	23
Midwest	11	22
South	10	21
West	22	25

Nationally, almost twice the number of cities expect to complete fiscal year 1989 with declining general revenues as experienced declines in 1988. This trend is even more extreme in the Northeast, where almost six times as many cities expect declining revenues in 1989 as experienced this in 1988. In the Midwest and South there is a doubling of cities expecting to see this worsening revenue trend. In the West there is only a small increase in the number expecting declining revenue, but this region had the highest level experiencing worsening revenues in the prior year.

Thus the other regions of the country are now seeing their revenue decline with the same frequency that was previously experienced in the West. While the Northeastern experience must be read with some reservations because of the small number of respondents from the northeast region, the worsening revenue experience reported here is consistent with the less favorable fiscal experience being reported by northeastern state governments and press reports of municipal budgetary woes in the region.

Table II-3
Percent of Cities in Each Size Class with a General Fund Revenue Decline

	Percent of Cities	
Population Size	FY 87 to 88	FY 88 to 89
All Cities	13	23
300,000 and over	3	21
100,000 to 299,999	13	18
50,000 to 99,999	14	24
10,000 to 49,999	13	26

In every size category the percentage of cities expecting a general fund revenue decline during the 1989 fiscal year increased. Roughly one-fifth to one-quarter of the communities in all size categories expect to close fiscal 1989 with general fund revenue lower than that collected in 1988.

What about those cities expecting a revenue increase? A modest revenue increase of between 1 and 5 percent was observed by 25 percent of the cities in 1988; 34 percent expect a similar result in 1989.

Since the rate of inflation for municipalities, as measured by the Price Deflator for State and Local Governments, is running at about 5 percent a year, communities experiencing revenue growth of 5 percent or less are losing purchasing power. Their ability to provide municipal services is being reduced.

When the communities with a decline in nominal revenues and those experiencing a nominal increase of less than 5 percent are considered together, the difficulty of maintaining services is made even more graphic. In 1988, in 38 percent of these communities, revenues did not keep pace with inflation. Fifty-seven percent report that revenues will not match inflation in 1989, a 50 percent increase.

Cities expecting general fund revenue increases in excess of five percent come from the following regions and size classes (Table II-4).

Table II-4
City Revenue Increases Over Five Percent by Region

	Percent of Cities	
	FY 87 to 88	FY 88 to 89
All cities	61	43
Northeast	80	63
Midwest	58	37
South	60	45
West	53	37

Nationally there is about a 20 point drop in the percentage of cities expecting revenue increases exceeding five percent, from 1988 to 1989 (Table II-5).

Table II-5
City Revenue Increases Exceeding Five Percent by Population Size

	Percent of Cities	
Population Class	FY 87 to 88	FY 88 to 89
All Cities	61	43
300,000 and over	61	42
100,000 to 299,999	59	41
50,000 to 99,999	62	44
10,000 to 49,999	62	43

For cities of all sizes, the drop is again in the range of 20 points. The experience of cities in all size classes mirrors the national figure both in absolute level and amount of change from 1988 to 1989.

Expenditures

General fund spending patterns are as varied as revenue growth patterns (Table II-6).

Table II-6
Expenditure Expectations

Expenditures Expected To:	Percent of Cities FY 86 to 87	FY 87 to 88
Decline	18	23
Be constant	0	0
Increase	82	77
	100	100

The percentages of cities falling into these three broad categories are quite consistent from year to year. A slightly higher percentage of cities expect their general fund expenditures to decline while slightly fewer expect to see them increase (Table II-7).

Table II-7
Lower City Spending by Region

	Percent of Cities FY 87 to 88	FY 88 to 89
Total	18	23
Northeast	8	23
Midwest	17	22
South	18	21
West	27	25

The percentages are fairly consistent from year to year when evaluated on a regional basis, except in the Northeast, where there is a sharp increase – from 8 precent to 23 percent – in the cities expecting lower spending (Table II-7).

Table II-8
Lower Spending by Population Size of City

Population Class	Percent of Cities FY 87 to 88	FY 88 to 89
All Cities	18	23
300,000 and over	9	21
100 to 299,999	21	18
50 to 99,999	20	24
10,000 to 49,999	18	25

Nearly 20 percent of the cities experienced a decline in general fund spending during both time periods. The only exception to this statement was for the largest cities in the 1987 to 1988 time period. Only nine percent of these major cities reported spending declines during this period.

Table II-9
City Spending Increases Over Five Percent by Region

Region	Percent of Cities FY 87 to 88	 FY 88 to 89
All Cities	61	43
Northeast	76	56
Midwest	57	37
South	66	45
West	49	37

Table II-10
Spending Increases Over Five Percent by Population Size

Size Class	Percent of Cities FY 87 to 88	 FY 88 to 89
All Cities	61	43
300,000 and over	49	42
100,000 to 299,999	57	41
50,000 to 99,999	59	44
10,000 to 49,999	68	43

Looking at this high growth in expenditures on a regional basis shows another pattern.

Table II-11
Spending Increases Over 15 Percent by Population Size - FY 1989

City Size	Percent of Cities
300,000 and over	3
100,000 to 299,999	12
50,000 to 99,999	8
10,000 to 49,999	7

The greatest number of cities expecting very rapid expenditure increases are in the Northeast and South, followed by the West and Midwest (Table II-12).

Table II-12
Spending Increases Over 15 Percent By Region – FY89

Region	Percent of Cities
Northeast	12
South	9
Midwest	6
West	7

How do cities see their revenues matching up with expenditures?

Expenditures and revenues of municipalities are not independent of each other, but rather, interdependent. At times, tax and revenue policy will be consciously designed to underwrite expanded programs; at other times, natural revenue increases will permit program expansions, tax cuts, or attacks on backlogged capital spending needs. Revenue decreases often force reductions in levels of service and spending levels. At other times, cities make conscious decisions to reduce revenues and provide a smaller package of services.

Most cities are required by state or municipal law to produce operating budgets that balance. This means total resources must exceed total spending. Resources include beginning balances and revenues, not just revenue alone.

The first step in this analysis is to see how current year revenues and expenditures match up without the consideration of beginning balances (Table II-13).

Table II-13
City General Fund Expenditure/Revenue Relationship

	Percent of Cities		
Fiscal Year	**1987**	**1988**	**1989**
Expenditure exceeding Revenue	44	36	50
Expenditure equaling Revenue	1	3	18
Expenditure less than Revenue	55	61	32
	100	100	100

Half of the cities expect expenditures to exceed revenues during 1989. If this pattern is borne out in actual results, it will force the drawing down of beginning balances. This would represent a 39 percent increase from 1988 results.

There is a natural pessimistic bent to city government budgeting practices, so actual results in 1989 probably won't be quite this extreme. In order to guarantee a positive balance, revenue estimates must be conservative while expenditure requirements must be pessimistic. Even when this predictable budgeting tendency is discounted it is clear that this is not an optimistic trend.

It is particularly revealing to look at those fiscal years for which actual results are being reported. While there appears to have been some improvement from 1987, the figure is still less favorable than for 1984 or 1985. In 1988, expenditures outpaced revenue in 36 percent of the cities, compared to only 30 percent in 1985 and 24 percent in 1984 (Table II-14).

Table II-14
Percentage of Cities
Reporting Expenditures Exceeding Revenues in General Fund Budgets

Fiscal Year	1984	1985	1986	1987	1988
Percent of Cities	24	30	40	44	36

The 1984-1986 figures were taken from previous NLC Fiscal Conditions Surveys. This pattern is particularly disturbing when viewed against other trends: the beginning of renewed inflationary pressures, the fact that the full bite of general revenue sharing losses started to take effect in 1988, and the number of states in tight fiscal situations which will have a spinoff effect on the cities within them.

Another factor that makes this figure even more important is the continuing large percentage of cities reporting reductions in capital spending. Capital spending, particularly for the smaller construction projects often reflected in general fund budgets, is often used as a budget relief valve. The full cost of a capital project will be budgeted, but the project may not be ready for contract award until the end of the fiscal year. If the budget is tight, the contract award may be deferred, yielding immediate savings, which in turn help in budget control.

With cities reporting lower levels of capital, this means that greater portions of municipal budgets will be composed of operating spending, primarily salaries and attendant fringe benefits, for municipal employees. These expenses are much harder to control as they are spent regularly over the course of the fiscal year. For example, if a budget reduction is required at the middle of a year, personnel cost reductions have to be doubled. That is, if personnel costs are $1,000,000 with fifty employees (average cost $20,000) and a required savings of $100,000 is identified at mid-year, then a layoff of 10 employees is required, not five as might first be guessed, since the required savings have to be realized in only one half year (1/2 x 20,000 x 10 = $100,000).

This simplified example does not even consider a variety of factors with which cities must deal—for example, minimum notice periods for layoff, varying salary levels, termination benefits, unemployment payments, and many other factors. Delayed budget spending decisions by the federal and state governments about levels of municipal assistance to be included in their budgets only make these problems more extreme.

Eighteen percent of the cities in 1989 expect revenues and expenditures to be in exact balance, as shown in Table II-13. This expected mathematical precision results from the fact that many communities are reporting budget expectations; actual results can be expected to show some variation. The fact remains that almost one fifth of the cities expect revenue and spending to be very close.

The General Fund Revenue-Expenditure Imbalance Index

What is the extent of the mismatch between current revenues and spending that is expected?

Because general fund budget sizes vary from city to city, revenue and expenditure figures must be reduced to some common index. To do this for the most current year, 1989 expenditures are subtracted from 1989 revenues to yield the dollar amount of the imbalance. Because city budget sizes vary so much, it is useful to translate this figure to a comparative base.

To produce this comparative index, the basic imbalance figure is divided by 1989 expenditures. Thus, a city with $1,000,000 of revenue and $1,100,000 in expenditures would have an imbalance index of -9 percent. A city with revenues equal to expenditures would have an index of zero. A city with revenues of $1,100,000 and expenditures of $1,000,000 would have a positive index of 10 percent.

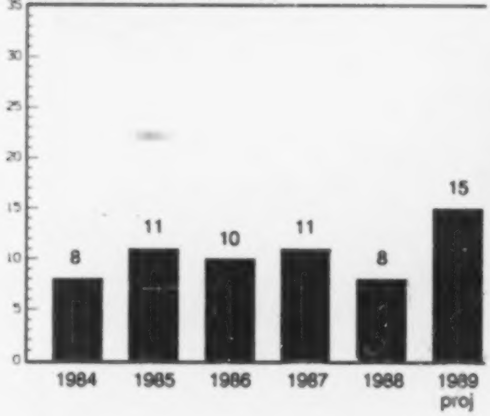
Since some budget variation is normally experienced, a review of the city figures after allowing for a 5 percent variation from absolute balance in the index in either direction may prove useful.

Table II-15
Imbalance Index 1987, 1988 and 1989 Projected

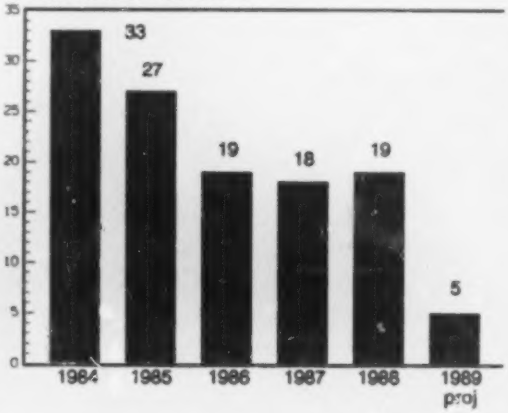
		Percent of Cities	
Imbalance Index*	**1987**	**1988**	**1989**
Worse than -5%	11	8	15
-5 to +5%	71	73	80
Better than +5%	18	19	5
	100	100	100

* Imbalance index = $\frac{\text{Revenue–Expenditure}}{\text{Expenditure}}$

This tabulation, as would be expected, shows significant clustering around the middle values. The same negative trends identified before are also shown here. Almost twice as large a percentage of cities expect an imbalance index exceeding five percent in 1989 as did in 1988. At the other extreme, only 5 percent of the cities expect a positive balance index exceeding 5 percent, a 73 percent decline from 1988.



Percent of Cities with Negative Imbalance Greater than –5



Percent of Cities with Positive Imbalance Greater than 5

By looking at those years for which data is final, the following patterns can be seen.

Table II-16
Percent of Cities Reporting Revenue-Expenditure Imbalances

	1984	1985	1986	1987	1988
Worse than -5%	8	11	10	11	8
Better than +5%	33	27	19	18	19

There is a considerable consistency in Table II-16, with smaller percentages of cities observing positive revenue-expenditure relationships exceeding five percent in 1986-88 period than in the two earlier years.

When viewed on a regional and city size basis, other trends emerge.

Table II-17
Percent of Cities in Each Region with Imbalance Indexes Worse than -5%

Region	1987	1988	1989
All Cities	11	8	15
Northeast	5	3	9
Midwest	14	5	16
South	10	15	15
West	14	5	17

The most noticeable observation from Table II-17 is that increasing percentages of cities in all regions, except the South, expect 1989 imbalance indexes worse than -5%.

Table II-18
Percent of Cities in Each Population Class with Imbalance Indexes Worse Than -5%

Size Class	1987	1988	1989
All Cities	11	8	15
300,000 and over	3	0	8
100,000 to 299,999	10	12	10
50,000 to 99,999	14	9	16
10,000 to 49,999	12	7	19

In Table II-18 there is again a worsening in this indicator for cities of all sizes except those between 100,00 and 300,000 population, from 1988 to 1989. There also appears to be a general pattern of deterioration as city size decreases.

In order to examine the entire picture, the third, and so far missing component of the budget balancing act needs examination. This essential factor is the beginning balance.

Cushioning the Expenditure-Revenue Imbalance

As discussed earlier, the beginning balance in basic terms is the amount of funds with which the city starts the year.

When cities have beginning balances they can be used to cushion a current year mismatch between revenues and expenditures.

It is very important to emphasize that not all amounts included in the beginning balance are readily available to perform this cushioning function. One reason is that some portions of the balance may be legally restricted or reserved for a specific purpose and thus not available to cover general spending requirements. Another reason is that resources reflected in the balance are not all held in the form of cash, they may represent unpaid taxes or charges legally owed to the city but not yet paid.

The majority of the reporting communities will not be increasing their balances during the course of fiscal 1989. As the previous revenue/expenditure discussion would indicate, half of the communities will be drawing down their beginning balances in 1989, since their expenditures exceed their revenues. Those communities in which expenditures and revenues are projected to be the same (18 percent) will be maintaining the dollar amount of their balance. Thirty-two percent will be building up their balances in 1989 because revenues are projected to exceed expenditures.

Summing Up

During fiscal 1989, half of the cities in this survey will be drawing down their beginning balances. For some cities this will be part of a normal process of leveling out uneven revenue and expenditure flows from year to year, but for other cities it is a forced choice that will reduce future financial adaptability in order to meet the service needs of today.

III. BUDGETARY ADJUSTMENTS

Cities operate in complex and changing environments, and the budgets of cities must be adjusted to respond and adapt quickly to these changes.

Among the factors that often influence city spending and operating decisions are:

- The tax and spending limits imposed by state laws or constitutions.
- Growth or decline in community population, also the speed of the overall change and the changing demographic composition of a community's population.
- Changes in the level and type of funding from state and federal sources.
- Expenditures that are mandated (required) by federal and state laws and regulations as well as spending requirements imposed by court decisions.
- Changes in the economic base of the community as industries and firms grow and decline in importance.
- Changes in community spending priorities often concurrent with elections and other changes in community leadership.

The survey asked the respondents to specify which of fifteen specified budget adjustment actions their city took in the last year.

The respondents were further requested to indicate which of seven listed factors they judged to be influential in the decision to take the listed action.

Table III-1 summarizes the actions taken and the influential factors from which the respondents could choose. In addition to six specifically identified factors, the officials were also given a seventh possible response category, "other factors". "Other factors" always ranked first or second among the influencing factors selected.

The city officials could select multiple influential factors for each action so the percentages sum to more than 100 for each of the actions taken.

Table III-1
Budget Adjustments Reported by Cities

		Factors influencing reported action*						
Budget Adjustments Reported by Cities	Percent reporting action last year	Loss of General Revenue Sharing	Federal tax reform	Loss of other Federal funds	Change in state funds	Federal Mandates	State Mandates	Other factors
Increased fees and charges	69	27	3	10	14	14	19	80
Reduced growth rate of operating spending	43	46	9	19	26	9	16	68
Increased property tax rates	41	48	12	17	27	17	35	64
Implemented new fees and charges	36	30	3	12	16	13	16	75
Reduced capital spending	36	57	10	19	22	6	10	54
Contracted out services	32	11	2	4	4	5	7	85
Reduced number of city employees	24	30	8	19	23	9	11	70
Froze municipal hiring	19	41	6	22	21	7	12	77
Imposed/raised impact or develpment fees	18	27	3	9	13	5	19	78
Increased rates of other taxes (other than property, income, or sales)	13	46	9	16	23	11	18	82
New tax or taxes	10	30	3	6	15	9	21	79
Reduced service levels (e.g., hours of operation)	7	44	13	9	17	4	17	87
Shifted service responsibilities to another government	6	10	0	0	0	0	5	76
Increased sales tax rates	5	28	6	11	17	6	17	67
Increased income tax rates	3	50	17	8	8	25	0	50

* Totals sum to more than 100 percent because many cities reported multiple factors for a single decision

As can be seen Table III-1, only one action was taken by a majority of the communities in 1989. This was to increase fees and charges. The next most frequently taken action was to reduce the growth rate of operating spending. Thus, municipal officials resort to both the revenue and spending side of the budget in making required adjustments.

To analyze the actions, it is interesting to divide the adjustment actions into three categories: those employed by more than one third of the cities, those employed by more than 10 percent but less than one-third of the communities and those employed by less than 10 percent of the cities.

Five actions were used by more than one third of the cities. In addition the increase of fees and charges already mentioned, revenue actions in this "most used" group of strategies are increases in property tax rates (41 percent of the cities) and the imposition of new fees and charges (36 percent). The most used expenditure actions were restraint on operating spending (43 percent), already referred to, and reductions in capital spending (36 percent).

Six actions fall into the second most utilized group. Thirty-two percent of the cities indicated some contracting-out of services. The two next most utilized actions were a reduction in the number of city employees (24 percent) and a hiring freeze (19 percent). This group included three revenue actions: Eighteen percent of the cities imposing or increasing impact fees (18 percent), increasing the rates of other taxes (13 percent), and imposing a new tax or taxes other than property, income or sales taxes (10 percent).

The least often used group includes two expenditure actions – reducing service levels (7 percent) and shifting service responsibilities to other jurisdictions (6 percent) – and two revenue actions – increasing sales tax rates (5 percent) and increasing income tax rates (3 percent). It may appear surprising that these two taxes are at the bottom of the list, given their prominence in governmental finance. This is explained by the fact that 74 percent of the cities say that they are not authorized by their state government to increase an income tax, and 46 percent indicate that a sales tax increase is not authorized by state law.

Overall, the responses this year and last year are very consistent as Table III-2 shows.

Table III-2
Frequency of Budget Actions – FY 1988 and FY 1989

	Percent of Cities		
	1988	1989	Difference
Increased fees and charges	67	69	+2
Reduced growth rate of operating spending	55	43	-12
Increased property tax rates	41	41	0
Implemented new fees and charges	37	36	-1
Reduced capital spending	44	36	-8
Contracted out services	35	32	-3
Reduced number of city employees	25	24	-1
Froze municipal hiring	22	19	-3
Imposed/raised impact fees	24	18	-6
Increased rate of other taxes	16	13	-3
New tax or taxes implemented	10	10	0
Reduced service levels	14	7	-7
Shift services to other govt.	5	6	+1
Increased sales tax rates	8	5	-3
Increased income tax rates	1	3	+2

The two budget adjustment actions that show the largest drops are restraint on operating spending growth and reductions in capital spending. Both of these actions, however, remain among the most popular budget actions employed by cities.

Each of the budget adjustment actions will be reviewed further in the following sections of this chapter.

Adjustment of Fees and Charges

The most frequently employed action by the responding cities was an increase in the level of fees and charges. Sixty-nine percent of the cities reported taking this step in the last year.

According to U.S. Census statistics, such fees and charges constitute about one-fifth of general city revenues (general revenues exclude the revenues of city operated electric, gas, transit, and water utilities).

The types of fees and charges that cities impose include charges for recreation programs, charges for various zoning and planning actions, inspection fees and permits for various commercial activities.

Cited most frequently as influential in this action were "other factors" which four-fifths of the respondents credited as influencing these actions. Twenty percent of the cities attributed the increased level of fees and charges to the loss of the funds formerly received from the federal General Revenue Sharing program.

General Revenue Sharing, which was terminated in September 1986, formerly provided about two percent of general city revenues and more than one-fifth of all federal funds received by city governments.

On a regional basis 80 percent of the northeastern cities reported raising fees. Roughly two-thirds of the cities in the Midwest (68 percent) and cities in the West (65 percent) also report having taken this action during the last year. A somewhat lower percentage of cities in the South (61 percent) report having raised such fees and charges during the past year.

Eighty-one percent of the cities over 300,000 in population report having raised their fees, while 77 percent of the cities between 100,000 and 299,999 report the same action. Seventy-two percent of the cities between 50,000 and 100,000 population report fee increases.

Of the cities between 10,000 and 50,000 only 53 percent report having increased their fees and charges. This declining pattern of using fee adjustments as city size decreases may reflect the greater number of fees and charges employed by larger cities. A larger variety of fees in turn may reflect a larger range of activities for which charges can be collected. Larger cities will also tend to have enough transactions to make it feasible to establish and maintain a fee collecting system. The more fees already used in a community also probably increases the odds that some of the fees will have their rates adjusted during the course of a year.

Two other questions were asked about fees and charges: (1) whether new fees or charges had been implemented, and (2) whether the special category of fees known as "impact or development fees" had been imposed or raised.

Specific Fees and Charges

Separate questions were asked about six specific fees and charges: park and recreation fees, business licenses, utility franchise fees, charges for water, charges for sewer services and garbage service charges.

Eighty-two percent of the cities charge fees for park and recreation services. Half of those cities using these fees indicate that fees for these services were increased during the past year.

Eighty-five percent of the communities use business licensing fees, and 24 percent of those cities adjusted them during the last year. In some states these charges are called business license taxes.

Sixty-seven percent of the cities indicate the use of franchise fees imposed on the providers of utility services. Only 10 percent of those cities indicate that the rate of these levies has been changed during the past year. This lower rate of adjustment reflects the fact that franchise charges are often tightly regulated by state governments.

Sixty-two percent of the cities who provide garbage collection services directly and charge a user fee for this service indicate that this fee has been increased in the past year.

Fifty-five percent of the cities providing water services directly and charging a user fee for this service indicate that rates for this service have been increased in the past year.

Fifty-seven percent of the cities providing sewer services directly and charging a user fee for this service indicate that the rates for this service have been increased in the past year.

Starting to Charge New Fees

While more than two-thirds of the cities reported increasing the level of existing fees and charges during the past year, a lower percentage, 36 percent, report that new fees or charges were implemented. Once again, "other factors" were the most frequently cited influence on the decision to implement new fees. The loss of General Revenue Sharing influenced the decision to impose new fees and charges in 30 percent of the cities, while changed levels of state funding and mandates imposed by the state were influences in 16 percent.

Western cities were more likely to have implemented new fees than cities in other regions. New fees were put in place in 42 percent of the western cities, followed by the Midwest (36 percent), the Northeast (32 percent) and the South (27 percent).

The smaller the population, the less likely were cities to use new fees. Half of the responding cities over 300,000 in population report that new fees or charges were implemented during the last year, while 40 percent of the cities between 100,000 and 300,000 population, 37 percent of the cities between 50,000 and 100,000 population, and only 26 percent of the cities between 10,000 and 50,000 report that they began to charge new fees during the last year.

Impact Fees

The third area of fees explored in the survey is the special category known as development or impact fees. This family of fees gains its name because they are designed and structured to impose a portion of the incremental cost of new public facilities or services – impact – required by new development on this same new development.

For the most part, such fees are imposed to defray the costs of infrastructure such as roads, sewer, water, drainage, parks, schools and fire stations. While fees and special assessments have long been imposed to help recover direct costs of on-site public improvements such as sewer and water laterals directly serving a property and the street and sidewalk directly fronting on a property, impact fees typically have a more ambitious objective.

While the design of impact fees will differ from city to city, they typically attempt to recover a significant share of the incremental central facility costs that will accumulate until major investments will be required. For example, while the construction of one new dwelling or a single commercial structure generally will not require the expansion of a sewage treatment plant or widening of a major road the incremental demand of numbers of such units will eventually require major public investments. Impact fees are thus designed to charge each development project a prorated portion of the projected or already expended costs for major central public facilities. In the simplest terms an impact fee can be termed a "buy-in fee". They are an attempt to incorporate into private development costs all the public investments the private development will necessitate over time.

Eighteen percent of the responding cities indicate that they have either imposed or raised impact fees during the last year. When asked to choose factors felt to be influential in this decision 78 percent cite the ubiquitous "other factors". Twenty-seven percent of the cities cite the loss of General Revenue Sharing as influential in their actions last year to implement or raise impact fees.

Since impact fees are predominantly charged to finance capital spending, it is interesting to note that 36 percent of the cities indicate that they have reduced capital spending and 57 percent of these cities indicate that the loss of General Revenue Sharing was influential in this decision. Since the loss of General Revenue Sharing appears to have been significant in decisions to reduce capital spending it is also not unreasonable to assume that many of the communities imposing or adjusting impact fees are looking to these fees to at least partially fill the capital spending gap left by the loss of General Revenue Sharing.

Nineteen percent of the cities cite mandates imposed by state governments as being influential in their decision to take affirmative actions on impact fees during the last year.

Cities in the western region report adjusting or implementing impact fees almost four times as frequently as communities in the other three regions. While 37 percent of the western cities report taking this action in the last year, only 11 percent of the northeastern cities, 10 percent of the southern cities and 12 percent of the midwestern cities report changes to their impact fees.

On a population size basis, 23 percent of the cities from 100,000 to 300,000 report impact fee actions. In contrast, 16 percent of the cities in each of the other three size groupings report impact fee actions. This may be strongly related to the fact that 19 percent of the reporting cities in this size category (100,000 to 300,000) are in California, where strong population growth, limits on traditional taxing powers imposed by Proposition 13, and growth control efforts in some areas of the state, have spurred the state to be a leader in the use of such fees.

Reductions in Operating and Capital Spending

The second and fourth most often cited budgetary adjustments are actions on the expenditure side of the budget. Restraint in the growth of operating spending is reported by 43 percent of the cities and reduction in capital spending is cited by 36 percent of the cities. In contrast to adjustment of fees and charges, which can be very specific and targeted, these strategies of spending restraint or reduction tend to describe more extensive actions. This does not minimize the fact that cities do set priorities in their spending decisions. This survey, however, did not gather information about the functional areas of spending that have been restrained or reduced.

Before discussing these major areas of budget adjustment it is probably useful to examine the relative share of city spending accounted for by operations and capital purposes. According to the most recent U.S. Census Bureau data (*City Government Finances in 1986-87*, Table 1), which are for fiscal year 1986-87, operating spending represented 69 percent of total city expenditures and capital expenditures 16 percent. The other 15 percent was composed of interest payments on debt,payments to other governments, and insurance and public welfare payments.

Reductions in Growth of Operating Spending

Since operating spending is such a large percentage of total city spending, it is a logical area for budgetary action. This generalization is borne out by the respondents' answers to the question about operating spending. As noted before, 43 percent of the cities report that they have reduced the growth rate in operating spending during the last year. In attributing reasons to this restraint of operating spending 68 percent cite "other factors" and 46 percent cite the loss of the General Revenue Sharing funds from the federal government.

It may seem strange that city finance and budget officials are still citing the loss of General Revenue Sharing almost three years after the last funds were distributed in September of 1986. But because most city fiscal years end in the months of June and September, the 1988-89 fiscal year, to which this question was addressed, is the first fiscal year in which many cities had completely depleted their General Revenue Sharing funds.

Nineteen percent of the cities cite "the loss of other federal funds" and 26 percent report a "changed level of funding from the state" as factors influencing the restraint of operating spending.

There is considerable regional consistency in the percentage of cities restraining operating spending. In the West 45 percent of the cities are restraining operating spending growth; in the South, 38 percent; and in the Midwest, 44 percent. Only 36 percent of the northeastern cities report this spending restraint, but this result must be viewed very carefully because of a relatively small number of respondents.

Sixty-one percent of the cities over 300,000 population report this type of spending restraint as do 43 percent of the cities in the next two lower size classifications. Among the cities between 10,000 and 50,000 in population, a lower percentage (35 percent) reports restraint in the growth of operating spending.

The overall finding this year that 43 percent of the cities were restraining operating spending is 12 percentage points lower than last year's results. This was the largest change in the frequency of adjustment actions, but it is still being employed by more than two fifths of the communities.

Reduced Capital Spending

Reduction of capital spending is a strategy that has been used in the past year by 36 percent of the responding cities. More than half (57 percent) of the communities taking this action characterize the loss of General Revenue Sharing as an influential factor. Fifty-four percent credit "other factors" as contributing to the decision. Twenty-two percent cite changing levels of state funding and 19 percent the loss of federal funds other than revenue sharing as being influential.

Regionally, 39 percent of the western cities report a reduction of capital spending, 33 percent of the southern cities, 33 percent of the midwestern cities and 33 percent of the northeastern cities.

By population, 25 percent of the cities over 300,000 report capital spending reductions, 35 percent of the cities between 100,000 and 300,000, 39 percent of the cities between 50,000 and 100,000 and 33 percent of the cities between 10,000 and 50,000.

For further analysis, knowing the levels of capital spending which were in effect before the reductions were made would would enable one to judge if the cuts were made from relatively high or low levels. Unfortunately information of this sort was not gathered in the survey.

Over the past three years the percentage of cities reporting a drop in capital spending has declined consistently: from 52 percent in 1987, to 44 percent in 1988, to 36 percent this year. The survey doesn't allow one to say if the drop can be attributed to pre-existing actions already reducing this category of expenditure to a minimal level or whether some communities have discovered alternative means of financing.

These changes in capital spending deserve further analysis, but unfortunately this survey does not provide the data to investigate this question further. There are many influences on capital spending that might be factors.

Factors acting to cause reductions in capital spending levels are driven chiefly by the inability to finance capital spending. Constraints on the use of municipal bonds recently enacted as part of federal tax legislation are probably a factor. The slow rate of revenue growth discussed earlier causes budget reductions, and it is generally easier to reduce capital spending than to reduce operating spending.

A number of possible factors exert pressure to maintain capital spending levels. As mentioned previously capital spending may have been reduced to an irreducible minimum level so that further reductions are not possible. There may be a rising number of crisis needs for capital spending brought on by earlier deferrals of capital spending – for example, well publicized bridge collapses and other failures, for which repair or replacement can't be deferred. In many communities, General Revenue Sharing may have been spent out quicker and the level of capital spending it sustained may be only a memory. The federal government continues to mandate capital spending to deal with environmental problems, and a city has little choice about the timing of these expenditures.

Tax Rates

Five of the budgetary adjustments about which the cities were questioned involved taxes. Before reviewing the results in these areas, it is once again useful to determine the relative importance of each of the major types of taxes imposed by cities.

The most common tax employed by cities in the U.S. is the property tax. For the most recent year for which information is available, the Census Bureau reports that 49 percent of all city tax collections were derived from the property tax.

Next in importance is the general sales tax which is quite widely used and contributes 17 percent of total city tax revenue.

Local income taxes account for 15 percent of total city tax revenue. The use of the income tax is quite geographically concentrated in major communities like New York City and Washington D.C. and in practically all municipalities in the heavily urbanized states of Ohio and Pennsylvania. The reliance upon this tax in these areas is of course higher. In Ohio, the income tax constitutes 74 percent of municipal tax revenues; in Pennsylvania municipalities, 51 percent; in New York City, 31 percent; and in Washington D.C., 35 percent. In most American cities, however, this tax is not a factor.

Selective sales taxes, which would include hotel and motel, restaurant meal, gasoline, and admission taxes, contributed 11 percent of city tax revenue.

Other miscellaneous taxes accounted for 8 percent of city tax revenues.

What adjustments did cities in this survey make to these taxes?

Forty-one percent of the cities said they had increased their property tax rates during the last year. Only 5 percent of the cities said they had increased sales tax rates and only 3 percent said that they had increased income tax rates. Sixteen percent of the cities said that they had increased the rate of "other taxes", (other than property, sales or income) and 10 percent of the cities indicated that a new tax or taxes had been implemented during the last year.

Despite the political difficulty of increasing property tax rates, two-fifths of the cities indicated this had been done in the past year. The percentage is even higher when the cities increasing property tax rates are computed as a percentage of those that indicated that their city was legally able to change the property tax rate levied for non debt purposes. When this condition is imposed half of the cities indicate that the city property tax rate has been raised in the past year.

When examined geographically 67 percent of the northeastern cities indicate that their property tax rates have been increased in the last year. Almost the same proportion of southern and midwestern cities responding to the survey indicated that property taxes had been raised, 43 percent in the South and 44 percent in the Midwest. In the West, however, only 15 percent of the cities indicate that property tax rates have been increased.

A couple of explanations can be offered for these regional variations. The most important is the impact of the California state constitutional provision enacted by the voters as Proposition 13.

This law precludes local jurisdictions from increasing property tax rates for non-debt purposes and originally precluded any new debt obligations supported by property tax revenue. Thus, California cities are prohibited from increasing property tax rates for operating purposes. Since 51 out of the 91 western cities responding to the survey were from California, this has a large impact on the results in the western region.

No comparably strong explanation can be offered for the northeastern region. It may, however, be influenced by the fact that many northeastern cities and towns have responsibilities for financing educational and public welfare costs, which are not typically assigned to municipal governments in most of the United States. The recent trend to emphasize educational programs, including enhanced school funding, may be an influence in this region, as city governments raise the monies generated in other parts of the country by independent school districts.

In making judgments about the factors influencing the decision to hike the property tax rate, 48 percent cite the loss of General Revenue Sharing, 35 percent report mandates imposed by the state government as influential, 27 percent changed levels of funding from the state, 17 percent cite the loss of other federal funds, and 64 percent attribute at least a portion of the blame to "other factors".

The percentages were dramatically lower when cities were asked if they had raised their sales or income tax rates. Only 5 percent of the responding cities reported raising the sales tax rate, and only 3 percent reported raising income tax rates.

Two factors can explain a major portion of these two findings. First, in many states cities are precluded from using these two tax sources, particularly the income tax. Second, in those states where the use of such taxes is authorized, the tax may only be imposed at one "take-or-leave-it" rate. That is, a city may opt to levy a sales or income tax but only at one standard rate specified by state law. This rate cannot be changed unless the state law governing the sales tax adoption process for municipalities in the state is changed.

Only 18 cities (5 percent) responding to the survey reported increasing sales tax rates; 46 percent of the communities indicated that a change in sales tax rates was not authorized by state law. Only 12 cities (3 percent) reported increasing income tax rates; 74 percent reported that state law precludes either an income tax rate adjustment or the use of the tax completely.

Perhaps because other taxes are less often controlled by state statute and because other taxes tend to be more selective, 13 percent of the cities indicate that taxes other than property, sales and income were increased during the last year. Further, 10 percent of the cities indicate that a new tax or taxes were imposed during the past year.

Nineteen percent of the western cities indicate that they have raised the rate of such other taxes in the past year. Cities in the other regions trail in this practice; only 12 percent of the southern cities and 9 percent in each of the northeastern and midwestern regions have increased such taxes.

The larger the city, the more likely is the upward adjustment in the rates of these taxes. Twenty-five percent of the cities over 300,000 adjusted these taxes, while only 17 percent of the cities between 100,000 and 300,000, 12 percent of the cities between

50,000 and 100,000, and 6 percent of the cities between 10,000 and 50,000 have done so.

There is also variation in the cities deciding to implement a new tax, an option employed by 10 percent of the cities nationally. Thirteen percent of the cities between 10,000 and 50,000 report implementing a new tax during the past year. Results in the other size classifications range between six and eight percent. Fifteen percent of the midwestern cities report a new tax, 11 percent of the western cities, 5 percent of the southern cities, and only 2 percent of the northeastern cities.

The survey asked for information on four specific "other taxes": real property transfer taxes, taxes imposed on vehicle parking spaces, taxes imposed on utility consumers and hotel-motel taxes.

The hotel-motel tax, most frequently imposed as a percentage charge on the room bill, was the most frequently employed of these four other taxes, used by 62 percent of the responding cities.

Of the communities indicating use of the tax, what has happened during the past year? In 64 percent of the cities, no change was made in the tax during the past year, although there was apparently a legal ability to change the rate. In 19 percent the tax was already being imposed at the maximum level permitted by state law, and in 13 percent the rate of this tax was changed during the past year. Three percent report that the tax was imposed for the first time during the past year and one percent of the cities indicate that voters rejected the imposition of the tax or a change in its rate.

The rates of the hotel/motel tax reported ranged from one percent to 12 percent, with 4.5 percent being the most frequently employed rate, although 45 percent of the cities reporting rates impose it at rates higher than 4.5 percent

Of the communities that do not use the tax, 31 percent said they were barred from doing so by state law, 6 percent indicated that the reason for non-use was that voter approval was required, and 63 percent indicated that some other reason accounted for their decision not to employ the tax.

Only a few of the cities imposed the other three taxes covered by the survey. Thirty percent of the cities indicate use of a tax on the transfer of real property, 27 percent report use of a tax on consumers' utility bills and only 8 percent indicate use of a special tax on parking spaces.

Thirty percent of the cities indicate the use of a transfer tax – that is a tax levied on the value of real estate at the time of sale. Ninety-eight percent of those using the tax indicate that the rate of this tax has not has not been changed during the last year.

Twenty-seven percent of the cities indicate the use of a tax on consumer utility bills, distinct from the franchise fee imposed on the providing utility to compensate for use of the public right-of-way. The consumer utility tax is levied on the consumer, usually as a separately itemized figure on the consumer's bill. Only 11 percent of those using the tax indicate that a change has been made during the last year.

The parking tax levied on privately owned commercial parking spaces is the least frequently employed tax of the four discussed in this section, only eight percent of the communities indicate the use of the tax. The parking tax while producing revenue, is also imposed as part of a traffic management plan, and under regional air quality plans it may see increasing use as a deterrent to the use of automobiles for commuting into central cities.

The Municipal Work Force

Salary, wage, and fringe benefit costs for municipal employees constitute a major proportion of municipal budgets, so it is not surprising that actions to control these costs were also budget adjustment strategies pursued in a number of cities.

Twenty-four percent of the responding cities indicate that they have reduced the number of municipal employees during the past year. Nineteen percent indicate that they have implemented some type of hiring freeze during the past year. Roughly 40 percent of the cities taking either of these two actions indicate that the loss of General Revenue Sharing funds was an influential factor in this decision.

One fifth of the communities taking these actions cite the loss of federal funds other than revenue sharing or changes in state funding as being influential in making these two personnel related decisions. "Other factors" always remain important; 70 percent or more attributing at least a part of the cause to these other but unexplained factors.

For a more complete treatment of municipal employment levels refer to Chapter IV.

One method of adjusting expenditures to put a freeze on new hiring. As vacancies occur no replacements are hired. Such freezes, often imposed across the board on all departments, can also be applied selectively to affect a specific department or a certain job classification.

Thirty-three percent of the largest cities reported an employment freeze during the last year, 25 percent of the cities between 100,000 and 300,000 population, 18 percent of the cities between 50,000 and 100,000 population, and 12 percent of the cities between 10,000 and 50,000 population.

Contracting, Service Levels, and Shifting Service Responsibilities

Thirty-two percent of the responding cities indicate that some city service has been contracted out during the past year. Eighty-five percent of the cities report that "other factors" influenced this decision to contract. Among the six other listed factors only the loss of revenue sharing at 11 percent was felt to be a causal factor by more than ten percent of the respondents.

Provision of city services by contracting rather than by direct provision using city personnel is a much discussed and studied trend. Among the cities responding to this survey, the western and midwestern communities were more likely to have contracted for services in the past year than cities in the other two regions. While 35 percent of the western and 37 percent of the midwestern cities indicate contracting only 26 percent of the southern and 22 percent of the northeastern cities say that they have done this.

The complete or partial shifting of selected service responsibilities to another government is similar to contracting-out except that another governmental unit such as the county, state or a special district, takes over the responsibility of providing the service. The city relinquishes all financial obligations. A city might, for example, relinquish public health responsibilities to the county government, and the shift might be accompanied by the concurrent transfer of dedicated tax or user fee revenues. Only 6 percent of the communities indicated that such a service shift had been accomplished during the past year. Because the use of this tactic was so infrequently reported no generalizations on a population size, city status, or regional basis appear appropriate.

The last budget adjustment action to be discussed is a reduction in city service levels. This may be the result of explicit decisions to save costs—for example, shortening library hours or reducing the frequency of street sweeping or trash pickup. Or it may simply be the recognition that staff reductions and other cuts have reduced the city's capacity to respond at a rate faster than increased productivity can cover.

Seven percent of the cities reported service reductions in the last year. The data do not allow a judgment about which of the two types of service reductions listed above these have been. It is probably safe however, to say that both have occurred and are reflected in these responses.

The most striking thing when reviewing the responses to this question is that one quarter of the largest cities (those over 300,000 population) indicate that service reductions have been made during the last year. This is far above the figures reported by the other size-class cities. For example, 8 percent for communities between 100,000 and 300,000, 4 percent for those between 50,000 and 100,000, and 2 percent of those municipalities between 10,000 and 50,000.

Summing Up

In conclusion, despite state-imposed restrictions and limits city governments have been very active in making budget adjusting actions on both the expenditure and revenue sides of the budget.

IV. PERSONNEL

The level of city employment is a good indicator of the amount of services provided by a city. Monitoring municipal employment levels is important because public personnel costs are among the largest category of expenditures in municipal budgets. In 1986-87, the latest period for which comprehensive national figures are available, the Census Bureau reported that just over one-third of total city government expenditures was for municipal salaries and wages.

The surveyed cities were asked to provide a three-year history of municipal employment. Before examining the survey results, it is useful to review the recent history of municipal employment as reported by the Census Bureau.

Table IV-1
Total City Employment (in thousands)

Year	Number	Change
1987	2541	47
1986	2494	27
1985	2467	33
1984	2434	11
1983	2423	26
1982	2397	(72)
1981	2469	(92)
1980	2561	8
1979	2553	42
1978	2511	42
1977	2469	26
1976	2443	—

As Table IV-1 shows, total municipal employment has still not returned to the level it stood at in 1980. While municipal employment has risen in each year since 1983 the total level has not recovered from the steep decreases which occurred in 1981 and 1982.

When evaluating the levels of municipal employment, a number of factors must be kept in mind. During this period the municipal population increased; from 1980 to 1986, the municipal population rose 6.2 percent. At the same time, the land area within municipal boundaries also increased, as a result of annexations and the incorporation of new municipalities. And over the same period, new problems – drug abuse and the crime associated with it, AIDS, youth needs, infrastructure maintenance and capacity needs, homelessness and other social service needs – have brought new demands for services.

When the total employment (both full and part-time) levels shown in Table IV-1 are converted to full-time equivalent employees and compared to the population living in municipalities, a decrease also is shown. In 1980 there were 153.4 municipal employees per 10,000 city residents, in 1987 there were only 148.2 municipal employees per 10,000 city residents.

The drop in the ratio of full-time equivalent employees was quite dramatic in the combined areas of education, public welfare, hospitals and health – employees per 10,000 residents dropped from 40.2 to 36.6, or 9.8 percent, from 1980 to 1987.

Table IV-2
Change in Employment 1980-1986
Police and Fire Employees per Ten Thousand Population – By City Size

City Size	1980	1987	Pct change
Police			
over 300,000	34.9	36.3	4
100,000 - 300,000	24.5	24.7	1
Under 100,000	21.9	22.3	2
Fire			
Over 300,000	17.4	16.9	-3
100,000 to 300,000	17.8	16.7	-6
Under 100,000	10.7	10.4	-3

In looking at these same statistics in other areas some additional patterns are uncovered.

Table IV-2 shows a number of things:

- First, there were small percentage gains over the seven year period in the ratio of police employees to population.
- Second, the number of fire employees dropped in relation to population.
- Third, the ratio of police employees to population was greater in the largest cities, those over 300,000 population.

- Fourth, the ratio of fire employees to population was smaller for the communities of less than 100,000 population.

The lower ratio of fire employees in cities under 100,000 population is influenced greatly by the large number of communities that receive fire protection from departments staffed entirely by volunteers.

Table IV-3
Change in Employment 1980 to 1987
Sanitation Employees per Ten Thousand Population
By City Size

	1980	1987	Percent Change
Over 300,000	9.7	9.3	-4
100,000 to 300,000	7.4	5.3	-28
Under 100,000	6.2	4.7	-24

Sanitation is an area of dramatic change, as Table IV-3 shows.

Two developments are probably contributing to this change. First, this is an area which has received a lot of emphasis in the movement toward privatization of public services. Second, the scrutiny this area has received as a result of the host of privatization and efficiency studies created an atmosphere for change. In this atmosphere, new technology, including both equipment and management techniques, has been employed to streamline operations in this area, even when service provision is provided by municipal employees.

What Did The Survey Find?

This survey, while it cannot claim the comprehensiveness of the Census data, can offer some clues to the changes in municipal employment since October 1987, the latest Census data available and the basis for much of the preceding discussion.

Cities were asked to provide a three-year history of municipal employment levels in their community. The three years specified were the city's fiscal years ending in 1987, 1988 and 1989. Table IV-4 shows the percent of cities reporting municipal personnel changes by city size.

Table IV-4
Municipal Personnel Change
Percentage of Cities Reporting Changes

	Percent of Cities	
	1987 to 1988	1988 to 1989
Decrease	28	25
Held Constant	10	12
Increase	62	63
Total	100	100

While the majority of cities were making some increases in municipal employment totals in both time periods, it is striking that one quarter of all communities in both time periods reduced the number of city employees. Roughly 40 percent of the communities in both time periods were just holding employment constant or reducing it. Overall there is a great consistency between these two time periods in this summary of municipal employment change.

To evaluate the magnitude of employment changes, it is useful to look at the patterns of change compared to a 5 percent benchmark.

Table IV-5
Municipal Employment
Percent of Cities Reporting Changes

Change in City Employment	Percent of Cities	
	1987 to 1988	1988 to 1989
Decline more than 5%	6	3
Between -5% and +5%	79	86
Increase more than 5%	15	11
Total	100	100

Table IV-5 also displays a pattern of consistency between the two time periods. The vast majority of communities fall into the middle group, with employment change ranging between -5 percent and +5 percent. There appears to be an increasing movement toward the middle from both ends, as the percentage of communities showing employment growth greater than 5 percent and the percentage showing employment decline greater than 5 percent have both dropped from 1988 to 1989.

When the pattern of cities reporting declines in municipal employment is examined on a regional basis the strongest pattern revealed is one of consistency in change. Roughly one quarter of the communities nationally, in all regions and in both years report declining municipal employment. The only region that shows some variation from the pattern is the South, and even here there is movement toward the general pattern. From 1987 to 1988, 34 percent of the southern municipalities (the Southern region includes a number of the energy producing states, which experienced tough economic times during this time period) reported an employment decline, the highest proportion of any of the regions. In 1989 with some improvement in regional economic conditions the percent of southern communities reporting city work force reductions is 27 percent, very close to the overall national figure of 26 percent.

Table IV-6
Percent of Cities Reporting Municipal Employment Declines

	Percent of Cities	
Region	**1987 to 1988**	**1988 to 1989**
Total	28	26
Northeast	23	25
Midwest	27	27
South	34	27
West	25	22

When the communities with shrinking municipal work forces are examined by population, consistency is again the theme. The patterns are generally the same in both time periods, with roughly one quarter of the cities reporting employment declines. The break in this pattern is for the largest and smallest communities.

In 1988, 29 percent of the communities between 10,000 and 50,000 in population reported employment declines. In 1989 the figure for these communities dropped to 19 percent.

While the figures for the largest cities remained consistent between the two years, the important observation is that almost one third of these largest communities are reporting work force reductions.

The percentages of cities reducing employment based on city population size class are shown in Table IV-7.

Table IV-7
Percent of Cities Reducing Employment Within Each Population Class

	Percent of Cities	
Population Size	**1987 to 1988**	**1988 to 1989**
Total	28	26
Over 300,000	32	32
100,000 to 300,000	25	29
50,000 to 99,999	28	29
10,000 to 49,999	29	19

For cities with populations of 50,000 and above there is a great deal of consistency between the two time periods. In cities of 10,000 to 49,999 there is a 10 point reduction between the two time periods. Fewer communities in this size class are reducing employment.

Table IV-8
Percentage of Cities by Region Reporting Increased City Employment

Region	Percnet of Cities 1987 to 1988	1988 to 1989
Total	62	63
Northeast	58	50
Midwest	62	59
South	60	65
West	67	72

Some geographic differences do show up among cities with increasing employment. While 72 percent of the western cities report increased employment in 1989, only 50 percent of the northeastern cities can make this claim. Cities in the other two regions fall between these two extremes.

The biggest change between the two time periods is shown in the Northeast. In 1988, 58 percent of the cities in the Northeast added city employees, but only 50 percent in 1989. In the Midwest slightly fewer cities added employees in 1989. In both the South and West greater percentages of the responding cities are adding employees.

Table IV-9
Percentage of Cities in Each Population Size Class
Reporting Increased City Employment

Population Size	Percent of Cities 1987 to 1988	1988 to 1989
Total	62	63
over 300,000	52	68
100,000 to 300,000	74	71
50,000 to 99,999	61	62
10,000 to 49,999	56	57

The largest cities in this survey added employees during 1989 and were the group showing the largest amount of change from 1988 to 1989. In 1988, only 52 percent of the largest cities reported increased employment, but this year 68 percent do. In the other three size classifications the pattern is relatively consistent from year to year. Except for the largest cities there is a positive relationship between population size and increased employment: the larger the community, the more likely are additions to the municipal work force.

Conclusion

There appears to be a continuing pattern of increasing the size of the municipal work force to cope with rising service demands. The additions being made appear to be moderate. While service demands and required programs, mandates, imposed by the federal and state governments will continue to put pressure on for increased employment levels, tight municipal budgets and state and federal personnel mandates (which increase employment costs) will continue to restrain the future rate of growth in the municipal work force.

APPENDIX

Cities Responding to 1989 Fiscal Conditions Survey

ALABAMA
Athens
Birmingham
Huntsville
Montgomery

ALASKA
Anchorage
Fairbanks
Juneau

ARIZONA
Flagstaff
Glendale
Mesa
Phoenix
Scottsdale
Tempe
Tucson

ARKANSAS
Fort Smith
Little Rock

CALIFORNIA
Alameda
Alhambra
Anaheim
Artesia
Carson
Cerritos
Chula Vista
Compton
Costa Mesa
Cudahy
Daly City
Escondido
Fremont
Fullerton
Glendale
Hayward
Hermosa Beach
Hesperia
La Mesa
La Puente
Lakewood
Long Beach
Los Angeles
Maywood
Modesto
Monrovia
Montebello
Moreno Valley
Oceanside
Ontario
Oxnard
Petaluma
Pleasanton
Redondo Beach
Redwood City
Richmond
Riverside
Sacramento
San Buenventura
San Clemente
San Diego
San Francisco
San Jose
San Leandro
San Pablo
Santa Ana
Santa Barbara
Santa Clara
Simi Valley
South Lake Tahoe
Sunnyvale
Torrance
Tulare
Vacaville
Vallejo
Walnut Creek
West Covina
Yorba Linda

COLORADO
Arvada
Colorado Springs
Denver
Fort Collins
Pueblo
Thornton
Westminster

CONNECTICUT
Bridgeport
Bristol
East Hartford
Greenwich
New Britain
Norwalk
Simsbury
Stamford
Vernon
Waterbury
West Hartford
Wolcott

DELAWARE
Newark
Wilmington

DISTRICT OF COLUMBIA
Washington

FLORIDA
Casselberry
Daytona Beach
Dunedin
Hialeah
Hollywood
Jacksonville
Largo
Melbourne
Miami
Miami Beach
Orlando
Pensacola
Pompano Beach
Port Orange
Saint Petersburg
Tallahassee
Tampa
West Palm Beach

GEORGIA
Albany
Atlanta
Griffin
Macon
Warner Robins

HAWAII
Honolulu

IDAHO
Pocatello

ILLINOIS
Alton
Arlington Heights
Bartlett
Canton
Champaign
Chicago
Decatur
Des Plaines
Elk Grove
Evanston
Freeport
Hoffman Estates
LaGrange
McHenry
Mount Prospect
Normal
Oak Lawn
Oak Park
Ottawa
Quincy
Rock Island
Rockford
Springfield
Sterling
Urbana
Waukegan
Wheeling

INDIANA
Beech Grove
Bloomington
Evansville
Fort Wayne
Goshen
Hammond
Indianapolis
Jeffersonville
Martinsville
Muncie
South Bend
Speedway
Terre Haute

IOWA
Burlington
Cedar Rapids
Davenport
Des Moines
Dubuque
Iowa City
Marion
Ottumwa
Sioux City

KANSAS
Hutchinson
Lawrence
Lenexa
Overland Park
Topeka
Wichita

KENTUCKY
Lexington-Fayette
Louisville
Newport
Owensboro
Winchester

LOUISIANA
Alexandria
Baton Rouge
Lafayette
Lake Charles
Shreveport
Thibodaux

MAINE
Bath
Portland

MARYLAND
Cumberland

MASSACHUSETTS
Boston
Cambridge
Chicopee
Dracut
Medford
Stoneham

MICHIGAN
Allen Park
Ann Arbor
Detroit
East Lansing
Michigan
Farmington Hills
Grand Rapids
Lansing
Livonia
Muskegon
Pontiac
Portage
Roseville
Royal Oak
Saginaw
Saint Clair Shores
Southfield
Sterling Heights
Wyoming

MINNESOTA
Albert Lea
Crystal
Golden Valley
Mankato
Minneapolis
Richfield
Rochester
Saint Louis Park
Saint Paul

MISSISSIPPI
Jackson
Vicksburg

MISSOURI
Carthage
Columbia
Grandview
Kansas City
Marshall
Richmond Heights
Saint Joseph
Saint Louis
Springfield

MONTANA
Anaconda
Billings
Bozeman

NEBRASKA
Lincoln
Omaha

NEVADA
Henderson
Reno
Sparks

NEW HAMPSHIRE
Berlin
Keene
Lebanon
Manchester
Nashua

NEW JERSEY
Haddonfield
Hamilton
Manalapan
Maple Shade
Montclair
Mount Olive
Sparta
Trenton
Vineland

NEW MEXICO
Albuquerque
Farmington

NEW YORK
Buffalo
Canandaigua
Dunkirk
Freeport
Glens Falls
Harrison
Jamestown
New York
Rochester
Tonawanda
Troy
Utica

NORTH CAROLINA
Asheville
Concord
Durham
Eden
Greensboro
High Point
Monroe
Raleigh
Wilson
Winston-Salem

NORTH DAKOTA
Fargo

OHIO
Akron
Athens
Beavercreek
Bellfontaine
Canton
Cincinatti
Circleville
Cleveland
Columbus
Dayton
Elyria
Euclid
Gahanna
Kettering
Mansfield
Painesville
Springfield
Toledo
Troy
Warren
Whitehall
Worthington

OKLAHOMA
Bethany
Edmond
Enid
Muskogee
Stillwater

OREGON
Eugene
Grants Pass
Milwaukie
Portland
Tigard
West Linn

PENNSYLVANIA
Allentown
Altoona
Bethlehem
Erie
Harrisburg
Haverford
Kingston
Lower Merion
Norristown
Philadelphia
Pittsburgh
Upper Darby
Wilkes-Barre

PUERTO RICO
Caguas

RHODE ISLAND
North Providence

SOUTH CAROLINA
Columbia
Greenville
Mount Pleasant
Sumter

SOUTH DAKOTA
Brookings

TENNESSEE
Knoxville
Memphis

TEXAS
Abilene
Amarillo
Arlington
Beaumont
Brenham
Brownsville
Brownwood
Corpus Christi
Corsicana
Dallas
Dumas
Eagle Pass
Galveston
Garland
Hereford
Houston
Irving
Longview
Lubbock
McAllen
Mesquite
Plano
Port Arthur
Richardson
Robstown
San Antonio
Snyder
Sugar Land
Taylor
Victoria
Waco

UTAH
Ogden
Orem
Salt Lake City
Sandy City
West Valley City

VIRGINIA
Chesapeake
Newport News
Portsmouth
Richmond
Roanoke
Salem
Suffolk
Virginia Beach

WASHINGTON
Bellevue
Kirkland
Oak Harbor
Olympia
Seattle
Spokane

WEST VIRGINIA
Charleston
Morgantown
Vienna

WISCONSIN
Ashwaubenon
Eau Claire
Green Bay
Kenosha
Mequon
Milwaukee
Sheboygan
Waukesha
West Allis

WYOMING
Sheridan

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